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Cost Accounting

Module 4

Learning Facilitator's Manual

ACCOUNTING

30



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Accounting 30

LEARNING FACILITATOR'S MANUAL



Note

This Accounting Learning Facilitator's Manual contains answers to teacher-assessed assignments and the final test; therefore, it should be kept secure by the teacher. Students should not have access to these assignments or the final test until they are assigned in a supervised situation. The answers should be stored securely by the teacher at all times.

Accounting 30
Learning Facilitator's Manual
Module 4
Cost Accounting
Alberta Distance Learning Centre
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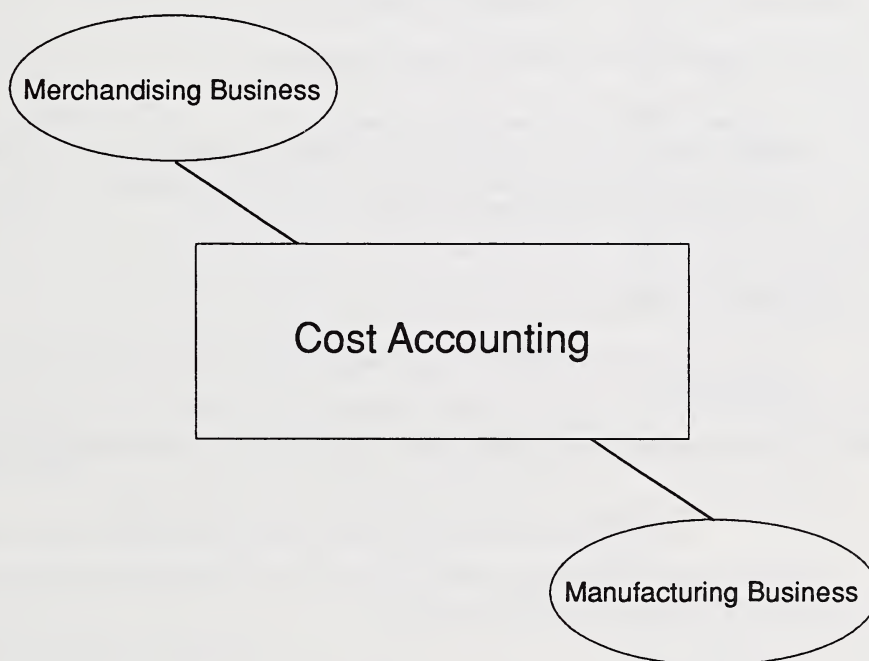
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Module 4 Overview

There are basic accounting concepts needed in Cost Accounting for running a business on a departmentalized system.

In this module students will learn the accounting theory and practice for the creation of financial documents needed in making effective and responsible decisions. Procedures will be taught for the merchandising businesses (selling goods and services) and manufacturing businesses (making products) on a departmentalized nature.

The Accounting Cycle is followed, but specific terminology and procedures will be taught.



Evaluation

The student's mark in this module will be determined by the work in the Assignment Booklet. All assignments must be completed. In this module the student is expected to complete two section assignments. The suggested assignment breakdown is as follows:

Section 1 Assignment	50%
Section 2 Assignment	50%
Total	100%

Please note this is a suggestion only. Teachers may devise their own method of evaluation.

Possible Classroom Openers

- Discuss what is meant by being responsible – in their own lives and financially.
- Invite a guest speaker to explain what responsibility accounting is and how it relates to merchandising and manufacturing businesses.
- Show a video of a departmentalized operation, for example, a department store or auto industry, that shows how each department must be efficient in running its area and how this relates to the overall operation of the business.

Section 1: Merchandising Business

The basic goals of this section are to ensure that students

- learn what is meant by responsibility accounting
- are able to understand how and why accounts are departmentalized
- are able to prepare financial documents for a merchandising business
- can journalize adjusting and closing entries

Possible Activities

- Prepare a bulletin board display of departmentalized businesses (merchandising and manufacturing).
- Discuss and flowchart the procedures for preparing a departmentalized income statement.
- Illustrate the difference between gross profit and departmental margin.
- With the use of an overhead projector, analyse the end-of-fiscal period adjustments of a departmentalized merchandising business.

Section 1 Activity 1

1. Tiffany Trent operates a business under the name of The Cleaning Lady. Her Cleaning Income for the month totals \$1 800.00. Her expenses include \$225.00 for Automobile Expense, \$110.00 for Cleaning Supplies Expense, and \$20.00 for Liability Insurance Expense.

Instruction: Prepare her income statement for the month ended January 31, 19xx.

<i>The Cleaning Lady</i>												
<i>Income Statement</i>												
<i>For Month Ended January 31, 19xx</i>												
<i>Revenue</i>												
<i>Cleaning Income</i>										1	8	00
<i>Expenses</i>												
<i>Automobile Expense</i>				2	2	5	00					
<i>Cleaning Supplies Expense</i>				1	1	0	00					
<i>Liability Insurance Expense</i>					2	0	00					
<i>Total Expenses</i>										3	5	50
<i>Net Income</i>										1	4	45

2. A merchandising business had Merchandise Inventory on July 1, 19xx, of \$7 509.30. The Merchandise Inventory on July 31, 19xx, was \$8 404.25. Purchases during the month were \$20 450.00.

Instruction: Calculate the Cost of Goods Sold for the month of July.

<i>Cost of Goods Sold</i>												
<i>Merchandise Inventory, July 1, 19xx</i>				7	5	0	9	30				
<i>Purchases</i>				20	4	5	0	00				
<i>Cost of Goods Available for Sale</i>				27	9	5	9	30				
<i>Merchandise Inventory, July 31, 19xx</i>				8	4	0	4	25				
<i>Cost of Goods Sold</i>										19	5	55

3. You are employed by The Soccer Store and are asked to prepare a statement showing the Net Income or Net Loss for the month. You obtain the following information from the general ledger:

Merchandise Inventory, March 1, \$4 340.00; Merchandise Inventory, March 31, \$1 975.00; Sales, \$23 557.00; Purchases, \$10 848.50; Salary Expense, \$2 400.00; Rent Expense, \$950.00; Advertising Expense, \$450.00; Utilities Expense, \$238.50

Instruction: Prepare the income statement for the month ending March 31, 19xx.

The Soccer Store
Income Statement
For Month Ended March 31, 19xx

[illegible]

Section 1 Activity 2

1. Label each of the following expenses of a large grocery store as either **direct** or **indirect** expenses.

a. wages of the butcher	<i>direct</i>
b. salary of the store manager	<i>indirect</i>
c. wages of a cashier	<i>indirect</i>
d. weekly advertising flyer	<i>indirect</i>
e. wages of the nightly cleaning staff	<i>indirect</i>
f. bags used at the checkouts	<i>indirect</i>
g. wages of a clerk at the tobacco counter	<i>direct</i>
h. in-store display promoting bagels	<i>direct</i>
i. property taxes on the building	<i>indirect</i>
j. repainting lines in the parking lot	<i>indirect</i>

2. Calculate the departmental margin of the Shoe Department at Faye's Department Store from the information given. Use only those amounts that apply to calculation of departmental margin for the Shoe Department.

Dry Goods Revenue	\$3 400.00
Cost of Goods Sold (Dry Goods)	55%
Property Taxes on Building	1 700.00
Weekly Advertising	350.00
Shoe Revenue	2 675.00
Cost of Goods Sold (Shoes)	60%
Delivery Costs (Shoes)	225.00
Shoe Clerk Wages	550.00

$$\begin{aligned}
 \text{Departmental Margin} &= \text{Revenue} - \text{Cost of Goods Sold} - \text{Direct Expenses} \\
 &= \$2\,675.00 - (\$2\,675.00 \times 60\%) - (\$225.00 + \$550.00) \\
 &= \$2\,675.00 - \$1\,605.00 - \$775.00 \\
 &= \$295.00
 \end{aligned}$$

Section 1 Activity 3

- Wayne Bruce would like a more-detailed breakdown of his profits; therefore, three more accounts in the chart of accounts for Wayne Meats also have to be expanded. Give the account numbers and account names for the six new accounts that must be created.

3901 *Income Summary – Meats*
 3902 *Income Summary – Delicatessen*
 4101 *Sales – Meats*
 4102 *Sales – Delicatessen*
 5101 *Purchases – Meats*
 5102 *Purchases – Delicatessen*

- Using the partial chart of accounts for La Boutique Ltd., calculate the total indirect expenses from the following information:

Payroll Taxes Expense – Women's Wear	\$ 650.00
Rent Expense	1 500.00
Sales – Children's Wear	2 250.00
Utilities Expense	835.00
Purchases – Men's Wear	1 750.00
Advertising Expense	550.00
Insurance Expense	225.00
Capital Stock	9 950.00

<i>Indirect Expenses</i>	<i>\$1 500.00</i>
	<i>835.00</i>
	<i>550.00</i>
	<i>225.00</i>
<i>Total</i>	<u><u><i>\$3 110.00</i></u></u>

Section 1 Activity 4

Rose Morin is the owner/manager of Morin Electronics. Determine her profits or losses for the month by preparing a worksheet for the month ending June 30, 19xx.

Balances for June 30, 19xx, have been transferred from the general ledger to the Trial Balance columns on the worksheet. After taking physical inventory, Ms. Morin finds that her Merchandise Inventory on hand is \$22 375.00, her Supplies inventory is \$285.00, and the value of her insurance policies is \$1 240.00.

Instruction: Complete the worksheet for Morin Electronics.

Worksheet

For Month Ended June 30, 19xx

[illegible]

(This page has been intentionally left blank to accommodate the worksheet.)

Section 1 Activity 5

1. The worksheet for Bikes Inc. for the month ended April 30, 19xx, is given. Extend the trial balance and adjustments items to the appropriate columns.

Bikes
Work
For Month Ended

		1		2		3		4														
	ACCOUNT TITLE	ACCOUNT NUMBER	TRIAL BALANCE				ADJUSTMENTS															
			DEBIT		CREDIT		DEBIT		CREDIT													
1	Cash	1101	2	6	3	1	00							1								
2	Accounts Receivable	1201		8	7	5	00							2								
3	Allowance for Doubtful Accounts	1201.1						1	7	5	00			3								
4	Merchandise Inventory - New Bikes	1301	20	8	4	0	00				(b)15	8	2	5	00	(a)20	8	4	0	00	4	
5	Merchandise Inventory - Used Bikes	1401	11	4	3	5	00				(c)11	9	3	0	00	(d)11	4	3	5	00	5	
6	Prepaid Insurance	1501		6	0	0	00									(e)			7	5	00	6
7	Supplies	1511		7	4	2	00									(f)		5	8	7	00	7
8	Office Equipment	1701	3	0	7	5	00															8
9	Accumulated Depreciation - Office Equipment	1701.1						2	1	1	2	00				(g)			9	6	00	9
10	Store Equipment - New Bikes	1731	6	4	4	4	00															10
11	Accum. Deprec. - Store Equip. - New Bikes	1731.1						2	6	5	7	00				(h)		3	8	0	00	11
12	Store Equipment - Used Bikes	1741	4	2	8	9	00															12
13	Accum. Deprec. - Store Equip. - Used Bikes	1741.1						1	5	3	6	00				(i)		2	7	5	00	13
14	Employees Income Tax Payable	2001						8	7	5	00											14
15	Canada Pension Plan Payable	2002						1	9	6	00											15
16	Unemployment Insurance Payable	2003						2	4	8	00											16
17	Corporate Income Tax Payable	2004																				17
18	Bank Loan Payable	2101						10	0	0	0	00										18
19	Accounts Payable	2201						2	2	0	5	00										19
20	Capital Stock - Common	3001						12	0	0	0	00										20
21	Retained Earnings	3011						4	3	7	5	00										21
22	Income Summary - New Bikes	3991										(a)20	8	4	0	00	(b)15	8	2	5	00	22
23	Income Summary - Used Bikes	3992										(d)11	9	3	5	00	(c)11	4	3	5	00	23
24	Income Summary - General	3999																				24
25	Sales - New Bikes	4101						38	8	5	0	00										25
26	Sales Returns and Allowances - New Bikes	4101.1		4	7	5	00															26
27	Sales - Used Bikes	4201						27	2	0	5	00										27
28	Sales Returns and Allowances - Used Bikes	4201.1		1	5	0	00															28
29	Purchases - New Bikes	5101	24	5	0	0	00															29
30	Purchases - Used Bikes	5201	15	6	5	0	00															30
31	Advertising Expense - New Bikes	6101	1	2	0	0	00															31
32	Deprec. Expense - Store Equip. - New Bikes	6111										(h)3	8	0	00							32
33	Miscellaneous Expense - New Bikes	6121		1	1	2	00															33
34	Payroll Taxes Expense - New Bikes	6131		1	6	2	00															34
35	Salary Expense - New Bikes	6141		2	0	0	0	00														35

Inc.

sheet

April 30, 19xx

	5	6	7	8	9	10	11	12	
	DEPARTMENTAL MARGIN STATEMENTS				INCOME STATEMENT		BALANCE SHEET		
	NEW BIKES		USED BIKES		DEBIT	CREDIT	DEBIT	CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT					
1							2 6 3 1 00		1
2							8 7 5 00		2
3								1 7 5 00	3
4							15 8 2 5 00		4
5							11 9 3 0 00		5
6							5 2 5 00		6
7							1 5 5 00		7
8							3 0 7 5 00		8
9								2 2 0 8 00	9
10							6 4 4 4 00		10
11								3 0 3 7 00	11
12							4 2 8 9 00		12
13								1 8 1 1 00	13
14								8 7 5 00	14
15								1 9 6 00	15
16								2 4 8 00	16
17									17
18								10 0 0 0 00	18
19								2 2 0 5 00	19
20								12 0 0 0 00	20
21								4 3 7 5 00	21
22	20 8 4 0 00	15 8 2 5 00							22
23			11 4 3 5 00	11 9 3 0 00					23
24									24
25		38 8 5 0 00							25
26	4 7 5 00								26
27				27 2 0 5 00					27
28			1 5 0 00						28
29	24 5 0 0 00		15 6 5 0 00						29
30									30
31	1 2 0 0 00								31
32	3 8 0 00								32
33	1 1 2 00								33
34	1 6 2 00								34
35	2 0 0 0 00								35

Bikes
Worksheet
For Month Ended

		1		2		3		4							
				TRIAL BALANCE				ADJUSTMENTS							
ACCOUNT TITLE		ACCOUNT NUMBER	DEBIT				CREDIT								
			DEBIT				CREDIT								
36	Supplies Expense - New Bikes	6151					(f)	1	1	5	00				36
37	Advertising Expense - Used Bikes	6201	8	2	5	00									37
38	Deprec. Expense - Store Equip. - Used Bikes	6211						(i)	2	7	5	00			38
39	Miscellaneous Expense - Used Bikes	6221	3	3	1	00									39
40	Payroll Taxes Expense - Used Bikes	6231	1	7	1	00									40
41	Salary Expense - Used Bikes	6241	2	4	0	0 00									41
42	Supplies Expense - Used Bikes	6251						(h)	3	8	9	00			42
43	Bad Debts Expense	6501		2	5	00									43
44	Depreciation Expense - Office Equipment	6511						(g)		9	6	00			44
45	Insurance Expense	6521						(e)		7	5	00			45
46	Interest Expense	6531	1	1	7	00									46
47	Miscellaneous Expense	6541	1	5	2	00									47
48	Payroll Taxes Expense - Administrative	6551	1	5	8	00									48
49	Rent Expense	6561	9	5	0	00									49
50	Salary Expense - Administrative	6571	1	8	0	0 00									50
51	Supplies Expense - Administrative	6581						(f)		8	3	00			51
52	Utilities Expense	6591	3	2	5	00									52
53			102	4	3	4 00	102	4	3	4	00				53
54	Departmental Margin - New Bikes														54
55	Departmental Margin - Used Bikes														55
56															56
57	Corporate Income Tax	9101													57
58															58
59	Net Income After Corporate Income Tax														59
60															60
61															61
62															62
63															63
64															64
65															65
66															66
67															67
68															68
69															69
70															70

Inc.

(continued)

April 30, 19xx

	5	6	7	8	9	10	11	12	
	DEPARTMENTAL MARGIN STATEMENTS				INCOME STATEMENT		BALANCE SHEET		
	NEW BIKES		USED BIKES		DEBIT	CREDIT	DEBIT	CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT					
36	115.00								36
37			825.00						37
38			275.00						38
39			331.00						39
40			171.00						40
41			2400.00						41
42			389.00						42
43					25.00				43
44					96.00				44
45					75.00				45
46					117.00				46
47					152.00				47
48					158.00				48
49					950.00				49
50					1800.00				50
51					83.00				51
52					325.00				52
53									53
54									54
55									55
56									56
57									57
58									58
59									59
60									60
61									61
62									62
63									63
64									64
65									65
66									66
67									67
68									68
69									69
70									70

2. Turn to the worksheet for Bikes Inc. that you worked on in Question 1. Calculate the departmental margin for each of the two departments. Extend the appropriate figures to the Income Statement columns.

Bikes

Work

For Month Ended

		1		2		3		4														
	ACCOUNT TITLE	ACCOUNT NUMBER	TRIAL BALANCE						ADJUSTMENTS													
			DEBIT			CREDIT			DEBIT			CREDIT										
1	Cash	1101	2	6	3	1	00									1						
2	Accounts Receivable	1201	8	7	5	00										2						
3	Allowance for Doubtful Accounts	1201.1						1	7	5	00					3						
4	Merchandise Inventory - New Bikes	1301	20	8	4	0	00				(b) 5	8	2	5	00	(a) 20	8	4	0	00	4	
5	Merchandise Inventory - Used Bikes	1401	11	4	3	5	00				(c) 1	9	3	0	00	(d) 1	4	3	5	00	5	
6	Prepaid Insurance	1501	6	0	0	00										(e)		7	5	00	6	
7	Supplies	1511	7	4	2	00										(f)	5	8	7	00	7	
8	Office Equipment	1701	3	0	7	5	00														8	
9	Accumulated Depreciation - Office Equipment	1701.1						2	1	1	2	00					(g)		9	6	00	9
10	Store Equipment - New Bikes	1731	6	4	4	4	00														10	
11	Accum. Deprec. - Store Equip. - New Bikes	1731.1						2	6	5	7	00					(h)	3	8	0	00	11
12	Store Equipment - Used Bikes	1741	4	2	8	9	00														12	
13	Accum. Deprec. - Store Equip. - Used Bikes	1741.1						1	5	3	6	00					(i)	2	7	5	00	13
14	Employees Income Tax Payable	2001						8	7	5	00										14	
15	Canada Pension Plan Payable	2002						1	9	6	00										15	
16	Unemployment Insurance Payable	2003						2	4	8	00										16	
17	Corporate Income Tax Payable	2004																			17	
18	Bank Loan Payable	2101						10	0	0	0	00									18	
19	Accounts Payable	2201						2	2	0	5	00									19	
20	Capital Stock - Common	3001						12	0	0	0	00									20	
21	Retained Earnings	3011						4	3	7	5	00									21	
22	Income Summary - New Bikes	3991										(a) 20	8	4	0	00	(b) 15	8	2	5	00	22
23	Income Summary - Used Bikes	3992										(d) 1	9	3	5	00	(c) 1	9	3	0	00	23
24	Income Summary - General	3999																			24	
25	Sales - New Bikes	4101						38	8	5	0	00									25	
26	Sales Returns and Allowances - New Bikes	4101.1	4	7	5	00															26	
27	Sales - Used Bikes	4201						27	2	0	5	00									27	
28	Sales Returns and Allowances - Used Bikes	4201.1	1	5	0	00															28	
29	Purchases - New Bikes	5101	24	5	0	0	00														29	
30	Purchases - Used Bikes	5201	15	6	5	0	00														30	
31	Advertising Expense - New Bikes	6101	1	2	0	0	00														31	
32	Deprec. Expense - Store Equip. - New Bikes	6111										(h)	3	8	0	00					32	
33	Miscellaneous Expense - New Bikes	6121	1	1	2	00															33	
34	Payroll Taxes Expense - New Bikes	6131	1	6	2	00															34	
35	Salary Expense - New Bikes	6141	2	0	0	0	00														35	

Inc.

sheet

April 30, 19xx

	5	6	7	8	9	10	11	12	
	DEPARTMENTAL MARGIN STATEMENTS				INCOME STATEMENT		BALANCE SHEET		
	NEW BIKES		USED BIKES		DEBIT	CREDIT	DEBIT	CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT					
1							2 6 3 1 00		1
2							8 7 5 00		2
3								1 7 5 00	3
4							15 8 2 5 00		4
5							11 9 3 0 00		5
6							5 2 5 00		6
7							1 5 5 00		7
8							3 0 7 5 00		8
9								2 2 0 8 00	9
10							6 4 4 4 00		10
11								3 0 3 7 00	11
12							4 2 8 9 00		12
13								1 8 1 1 00	13
14								8 7 5 00	14
15								1 9 6 00	15
16								2 4 8 00	16
17									17
18								10 0 0 0 00	18
19								2 2 0 5 00	19
20								12 0 0 0 00	20
21								4 3 7 5 00	21
22	20 8 4 0 00	15 8 2 5 00							22
23			11 4 3 5 00	11 9 3 0 00					23
24									24
25		38 8 5 0 00							25
26	4 7 5 00								26
27						27 2 0 5 00			27
28			1 5 0 00						28
29	24 5 0 0 00		15 6 5 0 00						29
30									30
31	1 2 0 0 00								31
32	3 8 0 00								32
33	1 1 2 00								33
34	1 6 2 00								34
35	2 0 0 0 00								35

Bikes
Worksheet
For Month Ended

		1				2				3				4							
		ACCOUNT NUMBER	TRIAL BALANCE								ADJUSTMENTS										
ACCOUNT TITLE			DEBIT				CREDIT				DEBIT				CREDIT						
36	Supplies Expense - New Bikes	6151										(h)	1	1	5	00					36
37	Advertising Expense - Used Bikes	6201		8	2	5	00														37
38	Deprec. Expense - Store Equip. - Used Bikes	6211										(i)	2	7	5	00					38
39	Miscellaneous Expense - Used Bikes	6221		3	3	1	00														39
40	Payroll Taxes Expense - Used Bikes	6231		1	7	1	00														40
41	Salary Expense - Used Bikes	6241		2	4	0	0	00													41
42	Supplies Expense - Used Bikes	6251										(f)	3	8	9	00					42
43	Bad Debts Expense	6501			2	5	00														43
44	Depreciation Expense - Office Equipment	6511										(g)		9	6	00					44
45	Insurance Expense	6521										(e)		7	5	00					45
46	Interest Expense	6531		1	1	7	00														46
47	Miscellaneous Expense	6541		1	5	2	00														47
48	Payroll Taxes Expense - Administrative	6551		1	5	8	00														48
49	Rent Expense	6561		9	5	0	0	00													49
50	Salary Expense - Administrative	6571		1	8	0	0	0	00												50
51	Supplies Expense - Administrative	6581										(f)		8	3	00					51
52	Utilities Expense	6591			3	2	5	00													52
53			102	4	3	4	00	102	4	3	4	00									53
54	Departmental Margin - New Bikes																				54
55	Departmental Margin - Used Bikes																				55
56																					56
57	Corporate Income Tax	9101																			57
58																					58
59	Net Income After Corporate Income Tax																				59
60																					60
61																					61
62																					62
63																					63
64																					64
65																					65
66																					66
67																					67
68																					68
69																					69
70																					70

Inc.

(continued)

April 30, 19xx

[illegible]

3. Turn to the worksheet for Bikes Inc. that you worked on in Questions 1 and 2. Complete the worksheet. The Corporate Income Tax Payable for the business is \$3 017.00.

Bikes

Work

For Month Ended

			1	2	3	4														
		ACCOUNT	TRIAL BALANCE				ADJUSTMENTS													
	ACCOUNT TITLE	NUMBER	DEBIT		CREDIT		DEBIT		CREDIT											
1	Cash	1101	2	6	3	1	00					1								
2	Accounts Receivable	1201		8	7	5	00					2								
3	Allowance for Doubtful Accounts	1201.1					1	7	5	00		3								
4	Merchandise Inventory - New Bikes	1301	20	8	4	0	00			(b) 15	8	2	5	00	4					
5	Merchandise Inventory - Used Bikes	1401	11	4	3	5	00			(c) 11	9	3	0	00	5					
6	Prepaid Insurance	1501		6	0	0	00							7	5	00	6			
7	Supplies	1511		7	4	2	00					(f)	5	8	7	00	7			
8	Office Equipment	1701	3	0	7	5	00										8			
9	Accumulated Depreciation - Office Equipment	1701.1					2	1	1	2	00		(g)		9	6	00	9		
10	Store Equipment - New Bikes	1731	6	4	4	4	00										10			
11	Accum. Deprec. - Store Equip. - New Bikes	1731.1					2	6	5	7	00		(h)	3	8	0	00	11		
12	Store Equipment - Used Bikes	1741	4	2	8	9	00										12			
13	Accum. Deprec. - Store Equip. - Used Bikes	1741.1					1	5	3	6	00		(i)	2	7	5	00	13		
14	Employees Income Tax Payable	2001					8	7	5	00								14		
15	Canada Pension Plan Payable	2002					1	9	6	00								15		
16	Unemployment Insurance Payable	2003					2	4	8	00								16		
17	Corporate Income Tax Payable	2004												3	0	1	7	00	17	
18	Bank Loan Payable	2101					10	0	0	0	00							18		
19	Accounts Payable	2201					2	2	0	5	00							19		
20	Capital Stock - Common	3001					12	0	0	0	00							20		
21	Retained Earnings	3011					4	3	7	5	00							21		
22	Income Summary - New Bikes	3991								(a) 20	8	4	0	00	(b) 15	8	2	5	00	22
23	Income Summary - Used Bikes	3992								(d) 11	4	3	5	00	(c) 11	9	3	0	00	23
24	Income Summary - General	3999																24		
25	Sales - New Bikes	4101					38	8	5	0	00							25		
26	Sales Returns and Allowances - New Bikes	4101.1		4	7	5	00											26		
27	Sales - Used Bikes	4201					27	2	0	5	00							27		
28	Sales Returns and Allowances - Used Bikes	4201.1		1	5	0	00											28		
29	Purchases - New Bikes	5101	24	5	0	0	00											29		
30	Purchases - Used Bikes	5201	15	6	5	0	00											30		
31	Advertising Expense - New Bikes	6101	1	2	0	0	00											31		
32	Deprec. Expense - Store Equip. - New Bikes	6111								(h) 3	8	0	00					32		
33	Miscellaneous Expense - New Bikes	6121		1	1	2	00											33		
34	Payroll Taxes Expense - New Bikes	6131		1	6	2	00											34		
35	Salary Expense - New Bikes	6141	2	0	0	0	00											35		

Inc.

sheet

April 30, 19xx

	5	6	7	8	9	10	11	12	
	DEPARTMENTAL MARGIN STATEMENTS				INCOME STATEMENT		BALANCE SHEET		
	NEW BIKES		USED BIKES		DEBIT	CREDIT	DEBIT	CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT					
1							2 6 3 1 00		1
2							8 7 5 00		2
3								1 7 5 00	3
4							15 8 2 5 00		4
5							11 9 3 0 00		5
6							5 2 5 00		6
7							1 5 5 00		7
8							3 0 7 5 00		8
9								2 2 0 8 00	9
10							6 4 4 4 00		10
11								3 0 3 7 00	11
12							4 2 8 9 00		12
13								1 8 1 1 00	13
14								8 7 5 00	14
15								1 9 6 00	15
16								2 4 8 00	16
17								3 0 1 7 00	17
18								10 0 0 0 00	18
19								2 2 0 5 00	19
20								12 0 0 0 00	20
21								4 3 7 5 00	21
22	20 8 4 0 00	15 8 2 5 00							22
23			11 4 3 5 00	11 9 3 0 00					23
24									24
25		38 8 5 0 00							25
26	4 7 5 00								26
27				27 2 0 5 00					27
28			1 5 0 00						28
29	24 5 0 0 00		15 6 5 0 00						29
30									30
31	1 2 0 0 00								31
32	3 8 0 00								32
33	1 1 2 00								33
34	1 6 2 00								34
35	2 0 0 0 00								35

Bikes
Worksheet
For Month Ended

		1		2		3		4											
ACCOUNT TITLE		ACCOUNT NUMBER	TRIAL BALANCE				ADJUSTMENTS												
			DEBIT		CREDIT		DEBIT		CREDIT										
36	Supplies Expense - New Bikes	6151					(f)	1	1	5	00					36			
37	Advertising Expense - Used Bikes	6201	8	2	5	00										37			
38	Deprec. Expense - Store Equip. - Used Bikes	6211						(i)	2	7	5	00				38			
39	Miscellaneous Expense - Used Bikes	6221	3	3	1	00										39			
40	Payroll Taxes Expense - Used Bikes	6231	1	7	1	00										40			
41	Salary Expense - Used Bikes	6241	2	4	0	00										41			
42	Supplies Expense - Used Bikes	6251						(f)	3	8	9	00				42			
43	Bad Debts Expense	6501		2	5	00										43			
44	Depreciation Expense - Office Equipment	6511						(g)		9	6	00				44			
45	Insurance Expense	6521						(e)		7	5	00				45			
46	Interest Expense	6531	1	1	7	00										46			
47	Miscellaneous Expense	6541	1	5	2	00										47			
48	Payroll Taxes Expense - Administrative	6551	1	5	8	00										48			
49	Rent Expense	6561	9	5	0	00										49			
50	Salary Expense - Administrative	6571	1	8	0	00										50			
51	Supplies Expense - Administrative	6581						(f)		8	3	00				51			
52	Utilities Expense	6591		3	2	5	00									52			
53			102	4	3	4	00	102	4	3	4	00				53			
54	Departmental Margin - New Bikes															54			
55	Departmental Margin - Used Bikes															55			
56																56			
57	Corporate Income Tax	9101						(j)	3	0	1	7	00			57			
58									64	4	6	0	00	64	4	6	0	00	58
59	Net Income After Corporate Income Tax															59			
60																60			
61																61			
62																62			
63																63			
64																64			
65																65			
66																66			
67																67			
68																68			
69																69			
70																70			

Inc.

(continued)

April 30, 19xx

	5	6	7	8	9	10	11	12	
	DEPARTMENTAL MARGIN STATEMENTS				INCOME STATEMENT		BALANCE SHEET		
	NEW BIKES		USED BIKES		DEBIT	CREDIT	DEBIT	CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT					
36	1 1 5 00								36
37			8 2 5 00						37
38			2 7 5 00						38
39			3 3 1 00						39
40			1 7 1 00						40
41			2 4 0 0 00						41
42			3 8 9 00						42
43					2 5 00				43
44					9 6 00				44
45					7 5 00				45
46					1 1 7 00				46
47					1 5 2 00				47
48					1 5 8 00				48
49					9 5 0 00				49
50					1 8 0 0 00				50
51					8 3 00				51
52					3 2 5 00				52
53	49 7 8 4 00	54 6 7 5 00	31 6 2 6 00	39 1 3 5 00					53
54	4 8 9 1 00					4 8 9 1 00			54
55			7 5 0 9 00			7 5 0 9 00			55
56	54 6 7 5 00	54 6 7 5 00	39 1 3 5 00	39 1 3 5 00					56
57					3 0 1 7 00				57
58					6 7 9 8 00	12 4 0 0 00	45 7 4 9 00	40 1 4 7 00	58
59					5 6 0 2 00			5 6 0 2 00	59
60					12 4 0 0 00	12 4 0 0 00	45 7 4 9 00	45 7 4 9 00	60
61									61
62									62
63									63
64									64
65									65
66									66
67									67
68									68
69									69
70									70

Section 1 Activity 6

1. Complete the Percentage of Net Sales column for Big Band Sounds.

<i>Big Band Sounds</i> <i>Departmental Margin Statement - Record Department</i> <i>For Month Ended November 30, 19xx</i>													
												% of Net Sales*	
Revenue													
Sales						30	2	6	9	00			101.08
Less: Sales Returns and Allowances						3	2	5	00				1.09
Net Sales										29	9	4	100.00
Cost of Goods Sold													
Merchandise Inventory, Nov. 1, 19xx						8	4	5	0	00			28.22
Purchases	15	8	7	5	00								53.01
Less: Purchases Returns and Allowances	1	0	5	00									0.35
Net Purchases						15	7	7	0	00			52.66
Total Cost of Goods Available for Sale						24	2	2	0	00			80.88
Less: Merchandise Inventory, Nov. 30, 19xx						10	7	4	5	00			35.88
Cost of Goods Sold										13	4	7	45.00
Gross Profit										16	4	6	55.00
Direct Departmental Expenses													
Advertising Expense						6	8	3	00				2.28
Depreciation Expense - Store Equipment						1	2	0	00				0.40
Miscellaneous Expense						1	3	6	00				0.45
Payroll Taxes Expense						5	0	8	00				1.70
Promotions Expense						1	7	9	5	00			6.00
Salary Expense						6	5	0	0	00			21.71
Supplies Expense						2	9	2	00				0.98
Total Direct Departmental Expenses										10	0	3	33.51
Departmental Margin										6	4	3	21.49

* each item rounded to the nearest 0.01 %

2. Turn to the worksheet that you prepared for Bikes Inc. in Activity 5. Use this information to prepare the departmental margin statement for the Used Bikes Department. Calculate the Percentage of Net Sales column.

*Bikes Inc.**Departmental Margin Statement - Used Bikes**For Month Ended April 30, 19xx*

											% of Net Sales*
<i>Revenue</i>											
<i>Sales</i>	27	2	0	5	00						100.55
<i>Less: Sales Returns and Allowances</i>		1	5	0	00						0.55
<i>Net Sales</i>						27	0	5	5	00	100.00
<i>Cost of Goods Sold</i>											
<i>Merchandise Inventory, April 1, 19xx</i>	11	4	3	5	00						42.26
<i>Purchases</i>	15	6	5	0	00						57.84
<i>Total Cost of Goods Available for Sale</i>	27	0	8	5	00						100.11
<i>Less: Merchandise Inventory, April 30, 19xx</i>	11	9	3	0	00						44.09
<i>Cost of Goods Sold</i>						15	1	5	5	00	56.01
<i>Gross Profit</i>						11	9	0	0	00	43.98
<i>Direct Departmental Expenses</i>											
<i>Advertising Expense</i>		8	2	5	00						3.05
<i>Depreciation Expense - Store Equipment</i>		2	7	5	00						1.02
<i>Miscellaneous Expense</i>		3	3	1	00						1.22
<i>Payroll Taxes Expense</i>		1	7	1	00						0.63
<i>Salary Expense</i>	2	4	0	0	00						8.87
<i>Supplies Expense</i>		3	8	9	00						1.44
<i>Total Direct Departmental Expenses</i>						4	3	9	1	00	16.23
<i>Departmental Margin</i>						7	5	0	9	00	27.75

* each item rounded to the nearest 0.01%

Section 1 Activity 7

Complete the income statement for Petrina's Pet Emporium for the month ended September 30, 19xx.

Petrina's Pet Emporium												
Income Statement												
For Month Ended September 30, 19xx												
	% of Net Sales*											
Net Sales												
Live Animals Department	36	4	8	9	00							50.58
Equipment Department	35	6	4	4	00							49.41
Total Net Sales						72	1	3	3	00		100.00
Cost of Goods Sold												
Live Animals Department	15	8	5	0	00							21.97
Equipment Department	17	2	3	6	00							23.89
Total Cost of Goods Sold						33	0	8	6	00		45.87
Gross Profit												
Live Animals Department	20	6	3	9	00							28.61
Equipment Department	18	4	0	8	00							25.52
Total Gross Profit						39	0	4	7	00		54.13
Direct Departmental Expenses												
Live Animals Department	8	2	6	0	00							11.45
Equipment Department	6	1	2	9	00							8.50
Total Direct Departmental Expenses						14	3	8	9	00		19.95
Departmental Margin												
Live Animals Department	12	3	7	9	00							17.16
Equipment Department	12	2	7	9	00							17.02
Total Departmental Margin						24	6	5	8	00		34.18
Indirect Expenses												
Depreciation Expense - Office Equipment	1	6	5	00								0.23
Insurance Expense - Administrative	2	3	5	00								0.33
Miscellaneous Expense	3	2	6	00								0.45
Payroll Taxes Expense - Administrative	6	2	8	00								0.87
Rent Expense	2	5	0	0	00							3.47
Salary Expense - Administrative	7	0	0	0	00							9.70
Supplies Expense - Administrative	5	0	4	00								0.70
Utilities Expense	4	7	6	00								0.66
Total Indirect Expenses						11	8	3	4	00		16.41
Net Income Before Corporate Income Tax						12	8	2	4	00		17.78
Less: Corporate Income Tax						4	4	8	8	00		6.22
Net Income After Corporate Income Tax						8	3	3	6	00		11.56

* each item rounded to the nearest 0.01%

Section 1 Activity 8

1. Journalize the adjusting entries for The Bar-B-Q Pit on page 32 of a general journal as of October 31, 19xx. You will find the necessary data on the completed worksheet in Activity 5.

GENERAL JOURNAL

PAGE 32

	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1		<i>Adjusting Entries</i>				1
2	Oct. 19xx 31	<i>Merchandise Inventory - Equipment</i>		4 6 2 0 00		2
3		<i>Income Summary - Equipment</i>			4 6 2 0 00	3
4	31	<i>Income Summary - Equipment</i>		20 4 8 0 00		4
5		<i>Merchandise Inventory - Equipment</i>			20 4 8 0 00	5
6	31	<i>Merchandise Inventory - Accessories</i>		4 2 0 0 00		6
7		<i>Income Summary - Accessories</i>			4 2 0 0 00	7
8	31	<i>Income Summary - Accessories</i>		3 2 8 7 50		8
9		<i>Merchandise Inventory - Accessories</i>			3 2 8 7 50	9
10	31	<i>Supplies Expense - Equipment</i>		2 3 5 0 00		10
11		<i>Supplies Expense - Accessories</i>		1 5 0 0 00		11
12		<i>Supplies Expense - General</i>		4 5 0 0 00		12
13		<i>Supplies</i>			4 3 0 0 00	13
14	31	<i>Insurance Expense - Equipment</i>		8 5 0 0 00		14
15		<i>Insurance Expense - Accessories</i>		1 5 0 0 00		15
16		<i>Insurance Expense - General</i>		3 0 0 0 00		16
17		<i>Prepaid Insurance</i>			1 3 0 0 00	17
18	31	<i>Depreciation Expense - Delivery Equipment - Equipment</i>		2 4 9 5 00		18
19		<i>Accumulated Depreciation - Delivery Equipment</i>			2 4 9 5 00	19
20	31	<i>Depreciation Expense - Office Equipment - General</i>		4 4 5 0 00		20
21		<i>Accumulated Depreciation - Office Equipment</i>			4 4 5 0 00	21
22	31	<i>Depreciation Expense - Store Equipment - Equipment</i>		5 1 5 0 00		22
23		<i>Depreciation Expense - Store Equipment - Accessories</i>		5 1 5 0 00		23
24		<i>Accumulated Depreciation - Store Equipment</i>			1 0 3 0 00	24
25	31	<i>Corporate Income Tax</i>		3 0 7 8 50		25
26		<i>Corporate Income Tax Payable</i>			3 0 7 8 50	26
27						27

Note: A quick way of assuring that you have not missed recording an adjustment in the journal is to count the number of adjustment amounts on the worksheet. These should equal the number of lines of entries in the journal. For example, on the worksheet for The Bar-B-Q Pit there are twenty-five different amounts in the Adjustments columns. Do you have twenty-five lines of journal entries?

2. Record the closing entries for the Accessories Department of The Bar-B-Q Pit on page 33 of the general journal as of October 31, 19xx.

Note: This department has suffered a loss. The amount of the loss should be debited to Income Summary – General.

GENERAL JOURNAL

PAGE 33

	DATE		ACCOUNT TITLE	POST. REF.	DEBITS				CREDITS							
1			<i>Closing Entries</i>										1			
2	Oct. 19xx	31	<i>Sales - Accessories</i>		5	3	9	6	00				2			
3			<i>Purchases Returns and Allowances - Accessories</i>				2	3	20				3			
4			<i>Income Summary - Accessories</i>							5	4	1	9	20	4	
5		31	<i>Income Summary - Accessories</i>		4	6	0	2	95					5		
6			<i>Sales Returns and Allowances - Accessories</i>								1	7	6	50	6	
7			<i>Purchases - Accessories</i>								1	5	7	3	20	7
8			<i>Advertising Expense - Accessories</i>								4	3	0	00	8	
9			<i>Deprec. Expense - Store Equipment - Accessories</i>									5	1	50	9	
10			<i>Insurance Expense - Accessories</i>									1	5	00	10	
11			<i>Payroll Taxes Expense - Accessories</i>									2	0	6	75	11
12			<i>Salary Expense - Accessories</i>								2	0	0	0	00	12
13			<i>Supplies Expense - Accessories</i>									1	5	0	00	13
14		31	<i>Income Summary - General</i>		2	0	5	1	25						14	
15			<i>Income Summary - Accessories</i>								2	0	5	1	25	15
16																16

Section 1 Follow-up Activities

Extra-help Activities

Extra-help Activity A

Upon taking physical inventory on November 30, Mr. Hycks, the owner of The Bedroom Shoppe, calculated the following:

Merchandise Inventory, \$26 245.00
 Supplies, \$669.00
 Prepaid Insurance Policies, \$600.00
 The Store Fixtures have depreciated by \$192.00.

Instruction: Prepare an eight-column worksheet for The Bedroom Shoppe on the form provided. The fiscal period to be covered is the month ended November 30, 19xx.

Step 1: Write the heading for the worksheet in the top section.

Step 2: Copy all the account titles and balances, if any, from the general ledger to the Account Title and Trial Balance columns of the worksheet. These are the accounts and their balances:

Account Title	Debit	Credit
Cash	\$ 1 639.00	
Merchandise Inventory	15 230.00	
Supplies	826.00	
Prepaid Insurance	650.00	
Store Fixtures	12 360.00	
Accumulated Depreciation – Store Fixtures		\$ 824.00
Accounts Payable		3 835.00
R. Hycks, Capital		33 824.00
R. Hycks, Drawings	1 500.00	
Income Summary		
Sales		20 750.00
Purchases	23 928.00	
Advertising Expense	950.00	
Depreciation Expense – Store Fixtures	0	
Insurance Expense	0	
Rent Expense	900.00	
Salaries Expense	1 250.00	
Supplies Expense	0	

Step 3: Total and rule the Trial Balance columns. Never proceed until the Trial Balance columns are in balance.

Step 4: Make the adjustment for the actual Merchandise Inventory.

- On the Income Summary line, Adjustments section, Debit column, enter the November 1 inventory, **15 230.00**. On the Merchandise Inventory line, Adjustments section, Credit column, enter the November 1 inventory again, **15 230.00**.
- On the Merchandise Inventory line, Balance Sheet section, Debit column, enter the November 30 inventory balance, **26 245.00**.
- On the Merchandise Inventory line, Adjustments section, Debit column, enter the November 30 inventory, **26 245.00**. On the Income Summary line, Adjustments section, Credit column, enter the November 30 inventory again, **26 245.00**.

Step 5: Make the adjustment for the actual Supplies inventory.

- On the Supplies line, Balance Sheet section, Debit column, enter the November 30 Supplies balance, **669.00**.
- Calculate the value of the supplies that have been used during the month:
 $826.00 - 669.00 = 157.00$.
- On the Supplies Expense line, Adjustments section, Debit column, enter the actual value of supplies used, **157.00**. On the Supplies line, Adjustments section, Credit column, enter this amount again, **157.00**.

Step 6: Make the adjustment for the value of the insurance policies that have expired.

- On the Prepaid Insurance line, Balance Sheet section, Debit column, enter the November 30 value of Prepaid Insurance, **600.00**.
- Calculate the value of the insurance policies that have expired:
 $650.00 - 600.00 = 50.00$.
- On the Insurance Expense line, Adjustments section, Debit column, enter the value of the expired insurance policies, **50.00**. On the Prepaid Insurance line, Adjustments section, Credit column, enter the amount again, **50.00**.

Step 7: Make the adjustment for the depreciation of the Store Fixtures. On the Depreciation Expense – Store Fixtures line of the Adjustments section, Debit column, enter the depreciation of the store fixtures, **192.00**. On the Accumulated Depreciation – Store Fixtures line of the Adjustments section, Credit column, enter the depreciation again, **192.00**.

Step 8: Total and rule the Adjustments columns. Never proceed until these columns are in balance.

Step 9: Extend the balance sheet items from the Trial Balance and Adjustments columns to the Balance Sheet columns. If there is more than one amount on the same line in these columns, calculate and enter only the net balance. (This includes all the accounts from Cash down to, and including, the Drawings account.)

Step 10: Extend the income statement items (the remaining account balances) from the Trial Balance and the Adjustments columns to the Income Statement columns. Extend both amounts on the Income Summary line to the respective columns.

Step 11: Single rule and total the Income Statement and the Balance Sheet columns.

Step 12: Calculate the Net Income or Net Loss. Subtract the smaller total from the larger total in the Income Statement columns. Enter this amount on the next line (below the smaller total).

If this amount is in the Debit column, enter it again in the Credit column of the Balance Sheet section. It is a Net Income.

If this amount is in the Credit column, enter it again in the Debit column of the Balance Sheet section. It is a Net Loss.

Step 13: Total and rule the Income Statement and Balance Sheet sections respectively.

For Month Ended November 30, 19xx

[illegible]

Extra-help Activity B

Prepare an income statement for The Bedroom Shoppe for the month ended November 30, 19xx. Use your solution from Extra-help Activity A. If you prefer, turn to the Appendix, Section 1: Follow-up Activities, Extra-help A, and use the answer key.

The Bedroom Shoppe

Income Statement

For Month Ended November 30, 19xx

[illegible]

Extra-help Activity C

Instruction 1: Journalize the adjusting entries for The Bedroom Shoppe on page 15 of the general journal. Use the data in the completed Adjustments columns of the worksheet in Extra-help Activity A.

Instruction 2: Journalize the closing entries for The Bedroom Shoppe on the same page of the general journal. Use the data in the completed Income Statement and Balance Sheet columns of the worksheet in Extra-help Activity A.

GENERAL JOURNAL

PAGE 15

	DATE	ACCOUNT TITLE	POST. REF.	DEBITS					CREDITS					
1		<i>Adjusting Entries</i>												1
2	Nov. 30	Merchandise Inventory		26	2	4	5	00						2
3		Income Summary							26	2	4	5	00	3
4	30	Income Summary		15	2	3	0	00						4
5		Merchandise Inventory							15	2	3	0	00	5
6	30	Supplies Expense			1	5	7	00						6
7		Supplies							1	5	7	00		7
8	30	Insurance Expense				5	0	00						8
9		Prepaid Insurance								5	0	00		9
10	30	Depreciation Expense - Store Fixtures			1	9	2	00						10
11		Accumulated Depreciation - Store Fixtures							1	9	2	00		11
12		<i>Closing Entries</i>												12
13	30	Sales		20	7	5	0	00						13
14		Income Summary							20	7	5	0	00	14
15	30	Income Summary		27	4	2	7	00						15
16		Purchases							23	9	2	8	00	16
17		Advertising Expense								9	5	0	00	17
18		Depreciation Expense - Store Fixtures								1	9	2	00	18
19		Insurance Expense									5	0	00	19
20		Rent Expense								9	0	0	00	20
21		Salaries Expense							1	2	5	0	00	21
22		Supplies Expense								1	5	7	00	22
23	30	Income Summary		4	3	3	8	00						23
24		R. Rycks, Capital							4	3	3	8	00	24
25	30	R. Rycks, Capital		1	5	0	0	00						25
26		R. Rycks, Drawings							1	5	0	0	00	26
27														27
28														28
29														29
30														30

Extra-help Activity D

Prepare a departmental margin statement for the New Bikes Department of Bikes Inc. for the month ended April 30, 19xx. Calculate the percentage of net sales for each amount.

To obtain the necessary data, turn to the worksheet for Bikes Inc. in the Appendix, Section 1: Activity 5.

*Bikes Inc.**Departmental Margin Statement - New Bikes**For Month Ended April 30, 19xx*

											% of Net Sales*
<i>Revenue</i>											
<i>Sales</i>	38	8	5	0	00						101.24
<i>Less: Sales Returns and Allowances</i>		4	7	5	00						1.24
<i>Net Sales</i>						38	3	7	5	00	100.00
<i>Cost of Goods Sold</i>											
<i>Merchandise Inventory, April 1, 19xx</i>	20	8	4	0	00						54.30
<i>Purchases</i>	24	5	0	0	00						63.84
<i>Total Cost of Goods Available for Sale</i>	45	3	4	0	00						118.15
<i>Less: Merchandise Inventory, April 30, 19xx</i>	15	8	2	5	00						41.24
<i>Cost of Goods Sold</i>						29	5	1	5	00	76.91
<i>Gross Profit</i>						8	8	6	0	00	23.09
<i>Direct Departmental Expenses</i>											
<i>Advertising Expense</i>	1	2	0	0	00						3.13
<i>Depreciation Expense - Store Equipment</i>		3	8	0	00						0.99
<i>Miscellaneous Expense</i>		1	1	2	00						0.29
<i>Payroll Taxes Expense</i>		1	6	2	00						0.42
<i>Salary Expense</i>	2	0	0	0	00						5.21
<i>Supplies Expense</i>		1	1	5	00						0.30
<i>Total Direct Departmental Expenses</i>						3	9	6	9	00	10.34
<i>Departmental Margin</i>						4	8	9	1	00	12.74

* each item rounded to the nearest 0.01%

Extra-help Activity E

Complete the income statement for Bikes Inc. for the month ended April 30, 19xx. Calculate the percentage of net sales for each amount.

Bikes Inc.										
Income Statement										
For Month Ended April 30, 19xx										
	% of Net Sales*									
Net Sales										
New Bikes Department	38	3	7	5	00					58.65
Used Bikes Department	27	0	5	5	00					41.35
Total Net Sales						65	4	3	0	100.00
Cost of Goods Sold										
New Bikes Department	29	5	1	5	00					45.11
Used Bikes Department	15	1	5	5	00					23.16
Total Cost of Goods Sold						44	6	7	0	68.27
Gross Profit										
New Bikes Department	8	8	6	0	00					13.54
Used Bikes Department	11	9	0	0	00					18.19
Total Gross Profit						20	7	6	0	31.73
Direct Departmental Expenses										
New Bikes Department	3	9	6	9	00					6.07
Used Bikes Department	4	3	9	1	00					6.71
Total Direct Departmental Expenses						8	3	6	0	12.78
Departmental Margin										
New Bikes Department	4	8	9	1	00					7.47
Used Bikes Department	7	5	0	9	00					11.48
Total Departmental Margin						12	4	0	0	18.95
Indirect Expenses										
Bad Debt Expense				2	5	00				0.04
Depreciation Expense - Office Equipment				9	6	00				0.15
Insurance Expense				7	5	00				0.11
Interest Expense				1	1	7	00			0.18
Miscellaneous Expense				1	5	2	00			0.23
Payroll Taxes Expense - Administrative				1	5	8	00			0.24
Rent Expense				9	5	0	00			1.45
Salary Expense - Administrative				1	8	0	0	00		2.75
Supplies Expense - Administrative				8	3	00				0.13
Utilities Expense				3	2	5	00			0.50
Total Indirect Expenses							3	7	8	5.78
Net Income Before Corporate Income Tax							8	6	1	13.17
Less: Corporate Income Tax							3	0	1	4.61
Net Income After Corporate Income Tax							5	6	0	8.56

* each item rounded to the nearest 0.01%

Enrichment Activities

Enrichment Activity A

Prepare the worksheet for Fabbricci Fine Furniture for the month ended February 28, 19xx. The business is a sole proprietorship owned by Vince Fabbricci. It has two departments: Furniture and Appliances.

The balances in the general ledger are shown:

Account Title	Balance
Cash	\$ 8 024.00
Accounts Receivable	12 480.00
Allowance for Doubtful Accounts	1 048.00
Merchandise Inventory – Furniture	105 800.00
Merchandise Inventory – Appliances	40 100.00
Prepaid Insurance	1 350.00
Supplies	1 273.00
Delivery Equipment	45 000.00
Accumulated Depreciation – Delivery Equipment	11 808.00
Office Equipment	8 250.00
Accumulated Depreciation – Office Equipment	2 970.00
Store Fixtures – Furniture	18 350.00
Accumulated Depreciation – Store Fixtures – Furniture	3 670.00
Store Fixtures – Appliances	5 600.00
Accumulated Depreciation – Store Fixtures – Appliances	1 120.00
Accounts Payable	15 640.00
Employees Income Tax Payable	4 244.00
Canada Pension Plan Payable	614.00
Unemployment Insurance Payable	572.00
Vince Fabbricci, Capital	158 574.00
Vince Fabbricci, Drawings	5 000.00
Income Summary – Furniture	0
Income Summary – Appliances	0
Income Summary – General	0
Sales – Furniture	91 706.00
Sales Returns and Allowances – Furniture	730.00
Sales – Appliances	56 988.00
Sales Returns and Allowances – Appliances	950.00
Purchases – Furniture	54 060.00
Purchases – Appliances	13 480.00

Advertising Expense – Furniture	1 300.00
Delivery Expense – Furniture	0
Depreciation Expense – Delivery Equipment – Furniture	0
Depreciation Expense – Store Fixtures – Furniture	0
Payroll Taxes Expense – Furniture	247.00
Salary Expense – Furniture	7 200.00
Supplies Expense – Furniture	0
Advertising Expense – Appliances	1 850.00
Delivery Expense – Appliances	0
Depreciation Expense – Delivery Equipment – Appliances	0
Depreciation Expense – Store Fixtures – Appliances	0
Payroll Taxes Expense – Appliances	154.00
Salary Expense – Appliances	4 500.00
Supplies Expense – Appliances	0
Bad Debts Expense	0
Delivery Expense– General	1 850.00
Depreciation Expense – Office Equipment	0
Insurance Expense	0
Miscellaneous Expense	541.00
Payroll Taxes Expense – Administrative	240.00
Rent Expense	3 000.00
Salary Expense – Administrative	7 000.00
Supplies Expense – Administrative	0
Utilities Expense	625.00

Make the following adjustments:

- Merchandise Inventory – Furniture on February 28 is \$79 430.00.
- Merchandise Inventory – Appliances on February 28 is \$21 760.00.
- Supplies inventory on February 28 is \$658.00. Of the supplies used, one third is to be charged to each of Furniture, Appliances, and Administrative.
- Insurance policies on February 28 are worth \$1 000.00.
- One half of the Delivery Expense should be charged to Furniture, the other half to Appliances. (Credit Delivery Expense – General.)
- Depreciation on Delivery Equipment is \$1 312.00. Charge one half to Furniture and one half to Appliances.
- Depreciation on Store Fixtures – Furniture is \$306.00.
- Depreciation on Store Fixtures – Appliances is \$93.00.
- Depreciation on Office Equipment is \$124.00.
- Bad Debts Expense is estimated at \$200.00.

(This page has been intentionally left blank to accommodate the worksheet.)

*Fabbricci**Work**For Month Ended*

		1				2				3				4												
ACCOUNT TITLE		ACCOUNT NUMBER	TRIAL BALANCE								ADJUSTMENTS															
			DEBIT				CREDIT				DEBIT				CREDIT											
1	Cash	1101	8	0	2	4	00											1								
2	Accounts Receivable	1201	12	4	8	0	00											2								
3	Allowance for Doubtful Accounts	1201.1						1	0	4	8	00				(l)	2	0	0	00	3					
4	Merchandise Inventory - Furniture	1301	105	8	0	0	00					(b)	7	9	4	3	0	00	(a)	105	8	0	0	00	4	
5	Merchandise Inventory - Appliances	1401	40	1	0	0	00					(c)	2	1	7	6	0	00	(d)	40	1	0	0	00	5	
6	Prepaid Insurance	1501	1	3	5	0	00											(f)		3	5	0	00	6		
7	Supplies	1511	1	2	7	3	00											(e)		6	1	5	00	7		
8	Delivery Equipment	1601	45	0	0	0	00																	8		
9	Accumulated Depreciation - Delivery Equip.	1601.1						11	8	0	8	00						(h)	1	3	1	2	00	9		
10	Office Equipment	1611	8	2	5	0	00																	10		
11	Accumulated Depreciation - Office Equipment	1611.1						2	9	7	0	00						(k)		1	2	4	00	11		
12	Store Fixtures - Furniture	1621	18	3	5	0	00																	12		
13	Accum. Depr. - Store Fixtures - Furniture	1621.1						3	6	7	0	00						(i)		3	0	6	00	13		
14	Store Fixtures - Appliances	1631	5	6	0	0	00																	14		
15	Accum. Depr. - Store Fixtures - Appliances	1631.1						1	1	2	0	00						(j)		9	3	00		15		
16	Accounts Payable	2001						15	6	4	0	00												16		
17	Employees Income Tax Payable	2101						4	2	4	4	00												17		
18	Canada Pension Plan Payable	2102						6	1	4	00													18		
19	Unemployment Insurance Payable	2103						5	7	2	00													19		
20	Vince Fabbricci, Capital	3001						158	5	7	4	00												20		
21	Vince Fabbricci, Drawings	3002	5	0	0	0	00																	21		
22	Income Summary - Furniture	3991										(a)	5	8	0	0	00	(b)	7	9	4	3	0	00	22	
23	Income Summary - Appliances	3992										(d)	4	0	1	0	0	00	(c)	2	1	7	6	0	00	23
24	Income Summary - General	3999																						24		
25	Sales - Furniture	4001						91	7	0	6	00												25		
26	Sales Returns and Allowances - Furniture	4001.1		7	3	0	00																	26		
27	Sales - Appliances	4101						56	9	8	8	00												27		
28	Sales Returns and Allowances - Appliances	4101.1		9	5	0	00																	28		
29	Purchases - Furniture	5001	54	0	6	0	00																	29		
30	Purchases - Appliances	5101	13	4	8	0	00																	30		
31	Advertising Expense - Furniture	6001	1	3	0	0	00																	31		
32	Delivery Expense - Furniture	6011										(g)	9	2	5	00								32		
33	Depr. Exp. - Delivery Equipment - Furniture	6021										(h)	6	5	6	00								33		
34	Depr. Expense - Store Fixtures - Furniture	6031										(i)	3	0	6	00								34		
35	Payroll Taxes Expense - Furniture	6041		2	4	7	00																	35		

*Fine Furniture**sheet**February 28, 19xx*

	5				6				7				8				9				10				11				12				
	DEPARTMENTAL MARGIN STATEMENTS																INCOME STATEMENT								BALANCE SHEET								
	FURNITURE								APPLIANCES								DEBIT				CREDIT				DEBIT				CREDIT				
	DEBIT				CREDIT				DEBIT				CREDIT																				
1																																	1
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21																																	21
22	105	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0																	22
23																																	23
24																																	24
25																																	25
26																																	26
27																																	27
28																																	28
29	54	0	6	0	0	0	0																										29
30																																	30
31	1	3	0	0	0	0	0																										31
32																																	32
33																																	33
34																																	34
35																																	35

Fabbricci

Worksheet

For Month Ended

		1		2		3		4															
ACCOUNT TITLE		ACCOUNT NUMBER	TRIAL BALANCE				ADJUSTMENTS																
			DEBIT		CREDIT		DEBIT		CREDIT														
36	Salary Expense - Furniture	6051	7	2	0	0	00									36							
37	Supplies Expense - Furniture	6061						(e)	2	0	5	00					37						
38	Advertising Expense - Appliances	6101	1	8	5	0	00										38						
39	Delivery Expense - Appliances	6111						(g)	9	2	5	00					39						
40	Depr. Exp. - Delivery Equip. - Appliances	6121						(h)	6	5	6	00					40						
41	Depr. Expense - Store Fixtures - Appliances	6131						(i)		9	3	00					41						
42	Payroll Taxes Expense - Appliances	6141		1	5	4	00										42						
43	Salary Expense - Appliances	6151	4	5	0	0	00										43						
44	Supplies Expense - Appliances	6161						(e)	2	0	5	00					44						
45	Bad Debts Expense	6511						(l)	2	0	0	00					45						
46	Delivery Expense	6521	1	8	5	0	00						(g)1	8	5	0	00	46					
47	Depreciation Expense - Office Equipment	6531						(k)	1	2	4	00					47						
48	Insurance Expense	6541						(f)	3	5	0	00					48						
49	Miscellaneous Expense	6551		5	4	1	00										49						
50	Payroll Taxes Expense - Administrative	6561		2	4	0	00										50						
51	Rent Expense	6571	3	0	0	0	00										51						
52	Salary Expense - Administrative	6581	7	0	0	0	00										52						
53	Supplies Expense - Administrative	6591						(e)	2	0	5	00					53						
54	Utilities Expense	6601		6	2	5	00										54						
55			348	9	5	4	00	348	9	5	4	00	251	9	4	0	00	251	9	4	0	00	55
56	Departmental Margin - Furniture																	56					
57	Departmental Margin - Appliances																	57					
58																		58					
59																		59					
60																		60					
61																		61					
62																		62					
63																		63					
64																		64					
65																		65					
66																		66					
67																		67					
68																		68					
69																		69					
70																		70					

*Fine Furniture**(continued)**February 28, 19xx*

	5				6				7				8				9				10				11				12												
DEPARTMENTAL MARGIN STATEMENTS																INCOME STATEMENT								BALANCE SHEET																	
FURNITURE								APPLIANCES								DEBIT				CREDIT				DEBIT				CREDIT													
DEBIT				CREDIT				DEBIT				CREDIT																													
36	7	2	0	0	00																							36													
37		2	0	5	00																							37													
38								1	8	5	0	00																38													
39									9	2	5	00																39													
40									6	5	6	00																40													
41										9	3	00																41													
42									1	5	4	00																42													
43								4	5	0	0	00																43													
44									2	0	5	00																44													
45														2	0	0	00											45													
46																												46													
47														1	2	4	00											47													
48														3	5	0	00											48													
49														5	4	1	00											49													
50														2	4	0	00											50													
51														3	0	0	0	00										51													
52														7	0	0	0	00										52													
53														2	0	5	00											53													
54														6	2	5	00											54													
55	171	4	2	9	00	171	1	3	6	00	62	9	1	3	00	78	7	4	8	00									55												
56								2	9	3	00						2	9	3	00									56												
57									15	8	3	5	00					15	8	3	5	00							57												
58	171	4	2	9	00	171	4	2	9	00	78	7	4	8	00	78	7	4	8	00	12	5	7	8	00	15	8	3	5	00	205	5	5	2	00	202	2	9	5	00	58
59																				3	2	5	7	00								3	2	5	7	00	59				
60																				15	8	3	5	00	15	8	3	5	00	205	5	5	2	00	205	5	5	2	00	60	
61																														61											
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70																														70											

Enrichment Activity B

You will need the solution from Enrichment Activity A in order to complete Enrichment Activity B.

Prepare the two departmental margin statements for Fabbricci Fine Furniture for the month of February 28, 19xx. Calculate the percentage of net sales for each amount.

<i>Fabbricci Fine Furniture</i>												
<i>Departmental Margin Statement - Furniture</i>												
<i>For Month Ended February 28, 19xx</i>												
	% of Net Sales*											
<i>Revenue</i>												
<i>Sales</i>	91	7	0	6	00							100.79
<i>Less: Sales Returns and Allowances</i>		7	3	0	00							0.08
<i>Net Sales</i>						90	9	7	6	00		100.00
<i>Cost of Goods Sold</i>												
<i>Merchandise Inventory, February 1, 19xx</i>	105	8	0	0	00							116.28
<i>Purchases</i>	54	0	6	0	00							59.42
<i>Total Cost of Goods Available for Sale</i>	159	8	6	0	00							175.70
<i>Merchandise Inventory, February 28, 19xx</i>	79	4	3	0	00							87.30
<i>Cost of Goods Sold</i>						80	4	3	0	00		88.40
<i>Gross Profit</i>						10	5	4	6	00		11.59
<i>Direct Departmental Expenses</i>												
<i>Advertising Expense</i>	1	3	0	0	00							1.43
<i>Delivery Expense</i>		9	2	5	00							1.02
<i>Depreciation Expense - Delivery Equipment</i>		6	5	6	00							0.72
<i>Depreciation Expense - Store Fixtures</i>		3	0	6	00							0.34
<i>Payroll Taxes Expense</i>		2	4	7	00							0.27
<i>Salary Expense</i>	7	2	0	0	00							7.91
<i>Supplies Expense</i>		2	0	5	00							0.23
<i>Total Direct Departmental Expenses</i>						10	8	3	9	00		11.91
<i>Departmental Margin (Loss)</i>						(	2	9	3	00		0.32

* each item rounded to the nearest 0.01%

Fabbricci Fine Furniture
Departmental Margin Statement - Appliances
For Month Ended February 28, 19xx

									% of Net Sales*
Revenue									
Sales	56	9	8	8	00				101.70
Less: Sales Returns and Allowances	9	5	0	00					1.70
Net Sales						56	0	3	8 00
Cost of Goods Sold									
Merchandise Inventory, February 1, 19xx	40	1	0	0	00				71.56
Purchases	13	4	8	0	00				24.06
Total Cost of Goods Available for Sale	53	5	8	0	00				95.61
Merchandise Inventory, February 28, 19xx	21	7	6	0	00				38.83
Cost of Goods Sold						31	8	2	0 00
Gross Profit						24	2	1	8 00
Direct Departmental Expenses									
Advertising Expense	1	8	5	0	00				3.30
Delivery Expense	9	2	5	00					1.65
Depreciation Expense - Delivery Equipment	6	5	6	00					1.17
Depreciation Expense - Store Fixtures	9	3	00						0.17
Payroll Taxes Expense	1	5	4	00					0.27
Salary Expense	4	5	0	0	00				8.03
Supplies Expense	2	0	5	00					0.37
Total Direct Departmental Expenses						8	3	8	3 00
Departmental Margin						15	8	3	5 00

* each item rounded to the nearest 0.01%

Enrichment Activity C

You will need the solutions from Enrichment Activity A and B to complete this activity.

Prepare the income statement for Fabbricci Fine Furniture for the month ended February 28, 19xx.

<i>Fabbricci Fine Furniture</i>											
<i>Income Statement</i>											
<i>For Month Ended February 28, 19xx</i>											
											% of Net Sales*
<i>Net Sales</i>											
<i>Furniture Department</i>	90	9	7	6	00						61.88
<i>Appliances Department</i>	56	0	3	8	00						38.12
<i>Total Net Sales</i>						147	0	1	4	00	100.00
<i>Cost of Goods Sold</i>											
<i>Furniture Department</i>	80	4	3	0	00						54.71
<i>Appliances Department</i>	31	8	2	0	00						21.64
<i>Total Cost of Goods Sold</i>						112	2	5	0	00	76.35
<i>Gross Profit</i>											
<i>Furniture Department</i>	10	5	4	6	00						7.17
<i>Appliances Department</i>	24	2	1	8	00						16.47
<i>Total Gross Profit</i>						34	7	6	4	00	23.65
<i>Direct Departmental Expenses</i>											
<i>Furniture Department</i>	10	8	3	9	00						7.37
<i>Appliances Department</i>	8	3	8	3	00						5.70
<i>Total Direct Departmental Expenses</i>						19	2	2	2	00	13.07
<i>Departmental Margin (Loss)</i>											
<i>Furniture Department</i>	(	2	9	3	00)						0.20
<i>Appliances Department</i>	15	8	3	5	00						10.77
<i>Total Departmental Margin</i>						15	5	4	2	00	10.57
<i>Indirect Expenses</i>											
<i>Bad Debts Expense</i>	2	0	0	0	00						0.14
<i>Depreciation Expense - Office Equipment</i>	1	2	4	0	00						0.08
<i>Insurance Expense</i>	3	5	0	0	00						0.24
<i>Miscellaneous Expense</i>	5	4	1	0	00						0.37
<i>Payroll Taxes Expense - Administrative</i>	2	4	0	0	00						0.16
<i>Rent Expense</i>	3	0	0	0	00						2.04
<i>Salary Expense - Administrative</i>	7	0	0	0	00						4.76
<i>Supplies Expense - Administrative</i>	2	0	5	0	00						0.14
<i>Utilities Expense</i>	6	2	5	0	00						0.43
<i>Total Indirect Expenses</i>						12	2	8	5	00	8.36
<i>Net Income</i>						3	2	5	7	00	2.22

* each item rounded to the nearest 0.01%

Section 1 Assignment

The assignment and answers for Section 1 are given on the following pages. A suggested mark distribution follows:

Part A	4 marks
B	6 marks
C	3 marks
D	12 marks
E	<u>25 marks</u>
Total	50 marks

The marks are also given in the left margin beside each question.

Section 1 Assignment A

4

Match the following terms with the appropriate definitions.

A adjusting entry	F indirect expense
B adjustments	G manufacturing business
C cost accounting	H merchandising business
D departmental margin	I responsibility accounting
E direct expense	J worksheet

- D 1. the revenue earned by a department less its cost of goods sold less its direct expenses
- I 2. assigning control of the revenues, costs of goods sold, and expenses in a business
- E 3. an operating expense that can be charged to the operation of a specific department
- J 4. the analysis paper on which the financial condition of a business is summarized before the preparation of financial statements
- B 5. changes in general ledger accounts that are recorded at the end of a fiscal period to bring the accounts up-to-date
- C 6. a specialized field concerned with determining and controlling the costs of products and/or departments
- A 7. a journal entry prepared to bring the account balances in the general ledger up-to-date
- H 8. a business that buys products from one or more sources and, without changing their form, sells these products to a number of customers

Section 1 Assignment B

6

For each of the following, select the answer that best completes the statement.

- C 1. Departmental responsibility statements show
- A. the name of the department manager
 - B. the percentage of the department's share of the net income of the business
 - C. revenue, cost of goods sold, and direct expenses
 - D. revenue, cost of goods sold, and direct and indirect expenses
- D 2. On the worksheet for a departmentalized merchandising business, the assets are extended to the
- A. Adjustments columns
 - B. Departmental Margin Statements columns
 - C. Income Statement columns
 - D. Balance Sheet columns
- D 3. On the worksheet for a departmentalized merchandising business, the capital accounts are extended to the
- A. Adjustments columns
 - B. Departmental Margin Statements columns
 - C. Income Statement columns
 - D. Balance Sheet columns
- B 4. On the worksheet for a departmentalized merchandising business, the Purchases and Purchases Returns and Allowances accounts are extended to the
- A. Adjustments columns
 - B. Departmental Margin Statements columns
 - C. Income Statement columns
 - D. Balance Sheet columns
- B 5. On the worksheet for a departmentalized merchandising business, the direct expenses are extended to the
- A. Adjustments columns
 - B. Departmental Margin Statements columns
 - C. Income Statement columns
 - D. Balance Sheet columns

- C 6. On the worksheet for a departmentalized merchandising business, the indirect expenses are extended to the
- A. Adjustments columns
 - B. Departmental Margin Statements columns
 - C. Income Statement columns
 - D. Balance Sheet columns
- D 7. The data used to prepare the income statement is taken from the
- A. income summary
 - B. general ledger
 - C. Income Statement columns of the worksheet
 - D. Income Statement columns of the worksheet plus the departmental margin statements
- D 8. The data used to prepare the balance sheet is taken directly from the
- A. Trial Balance columns of the worksheet
 - B. Trial Balance and Adjustments columns of the worksheet
 - C. Trial Balance, Adjustments, and Income Statement columns of the worksheet
 - D. none of the above
- B 9. The sections on an income statement for a departmentalized business do **not** include
- A. Net Sales
 - B. Net Purchases
 - C. Departmental Margin
 - D. Indirect Expenses
- A 10. The Merchandise Inventory balance at the beginning of the fiscal period is extended to the
- A. Departmental Margin Statements columns
 - B. Income Statement columns
 - C. Balance Sheet columns
 - D. Income Summary columns
- A 11. To calculate what percentage Purchases is of Net Sales,
- A. divide Purchases by Net Sales and multiply by 100
 - B. divide Net Sales by Purchases and multiply by 100
 - C. multiply Purchases by Net Sales and divide by 100
 - D. multiply Purchases by Net Sales and multiply by 100
- C 12. To calculate 37% of \$36 875.00,
- A. divide \$36 875.00 by 37
 - B. divide \$36 875.00 by 37 and multiply by 100
 - C. multiply by \$36 875.00 by 37 and divide by 100
 - D. multiply \$36 875.00 by 37

Section 1 Assignment C

3

High Street is a departmentalized clothing store with two departments – Ladies' Wear and Men's Wear. Complete the table on the response page.

For each item, choose the statement in which the item will be reported. Record the appropriate number in the first column. Next choose the section in which the item will be reported. Record the appropriate letter in the second column.

- | | |
|-----------------------------------|--------------------------------|
| (1) departmental margin statement | R Revenue |
| (2) income statement | S Net Sales |
| (3) neither of the above | C Cost of Goods Sold |
| | D Direct Departmental Expenses |
| | I Indirect Expenses |
| | N none of the above |

	Statement	Section
1. Supplies	3	N
2. Depreciation Expense – Store Equipment – Ladies' Wear	1	D
3. Insurance Expense	2	I
4. Merchandise Inventory – Men's Wear	1	C
5. Corporate Income Tax Payable	3	I

Section 1 Assignment D

12

Sundance Gifts & Flowers is located in a high-traffic, high-rent shopping mall. Although most sales are in the Gifts Department, there are significant sales of fresh and potted flowers in the Flowers Department. A partial worksheet for the month ended June 30, 19xx, is given.

Sundance Gifts and Flowers

Worksheet

For Month Ended June 30, 19xx

		ACCOUNT	DEPARTMENTAL MARGIN STATEMENTS										INCOME STATEMENT														
		NUMBER	GIFTS					FLOWERS																			
		ACCOUNT TITLE	DEBIT	CREDIT				DEBIT	CREDIT				DEBIT	CREDIT													
1	Income Summary - Gifts	3901	50	8	3	6	00	41	2	5	0	00					1										
2	Income Summary - Flowers	3911										1	3	2	4	00	8	5	1	00	2						
3	Income Summary - General	3999																			3						
4	Sales - Gifts	4001						95	4	7	5	00									4						
5	Sales Returns and Allowances - Gifts	4001.1	1	2	2	0	00														5						
6	Sales - Flowers	4101											19	0	2	2	00				6						
7	Sales Returns and Allowances - Flowers	4101.1										2	3	6	00						7						
8	Purchases - Gifts	5001	55	1	9	3	00														8						
9	Purchases Returns and Allowances - Gifts	5001.1						2	0	1	5	00									9						
10	Purchases - Flowers	5101										5	6	8	2	00					10						
11	Purchases Returns and Allowances - Flowers	5101.1													1	0	0	00			11						
12	Flowers	6001	3	1	5	0	00														12						
13	Advertising Expense - Gifts	6011	2	8	3	00															13						
14	Depreciation Exp. - Store Equipment - Gifts	6021	3	0	0	00															14						
15	Insurance Expense - Gifts	6031	5	8	2	00															15						
16	Payroll Taxes Expense - Gifts	6041	9	7	0	0	00														16						
17	Salary Expense - Gifts	6051	1	4	2	9	00														17						
18	Supplies Expense - Gifts	6101										2	0	0	00						18						
19	Advertising Expense - Flowers	6111										4	3	0	00						19						
20	Delivery Expense - Flowers	6121										2	0	0	00						20						
21	Depr. Exp. - Delivery Equipment - Flowers	6131										1	2	0	00						21						
22	Depr. Exp. - Refrig. Equipment - Flowers	6141										2	0	0	00						22						
23	Depr. Exp. - Store Equipment - Flowers	6151										2	5	00							23						
24	Insurance Expense - Flowers	6161										1	1	0	00						24						
25	Payroll Taxes Expense - Flowers	6171										2	0	0	0	00					25						
26	Salary Expense - Flowers	6181										7	2	0	00						26						
27	Supplies Expense - Flowers	6501															1	8	7	00	27						
28	Depreciation Expense - Office Equipment	6511															9	5	00		28						
29	Insurance Expense - Administrative	6521															5	3	1	00	29						
30	Miscellaneous Expense - Administrative	6531															4	6	3	00	30						
31	Payroll Taxes Expense - Administrative	6541															3	8	0	0	00	31					
32	Rent Expense	6551															8	0	0	0	00	32					
33	Salary Expense - Administrative	6561															1	0	9	00	33						
34	Supplies Expense - Administrative	6571															5	2	0	00	34						
35	Utilities Expense		122	6	9	3	00	138	7	4	0	00	11	0	6	7	00	19	9	7	3	00	35				
36			16	0	4	7	00													16	0	4	7	00	36		
37	Departmental Margin - Gifts											8	9	0	6	00					8	9	0	6	00	37	
38	Departmental Margin - Flowers		138	7	4	0	00	138	7	4	0	00	19	9	7	3	00	19	9	7	3	00				38	
39		9001															3	9	3	7	00				39		
40	Corporate Income Tax																17	6	4	2	00	24	9	5	3	00	40
41																	7	3	1	1	00				41		
42	Net Income After Corporate Income Tax																24	9	5	3	00	24	9	5	3	00	42
43																										43	
44																										44	

Instruction 1: Prepare a departmental margin statement for the Gifts Department. Calculate the percentage of net sales.

Sundance Flowers and Gifts
Departmental Margin Statement - Gifts
For Month Ended June 30, 19xx

												% of Net Sales*				
Revenue																
Sales						95	4	7	5	00		101.29				
Less: Sales Returns and Allowances						1	2	2	0	00		1.29				
Net Sales											94	2	5	5	00	100.00
Cost of Goods Sold																
Merchandise Inventory, June 1, 19xx						50	8	3	6	00						53.94
Purchases	55	1	9	3	00											58.56
Less: Purchases Returns and Allowances	2	0	1	5	00											2.14
Net Purchases						53	1	7	8	00						56.42
Total Cost of Goods Available for Sale						104	0	1	4	00						110.35
Less: Merchandise Inventory, June 30, 19xx						41	2	5	0	00						43.76
Cost of Goods Sold											62	7	6	4	00	66.59
Gross Profit											31	4	9	1	00	33.41
Direct Departmental Expenses																
Advertising Expense						3	1	5	0	00						3.34
Depreciation Expense - Store Equipment						2	8	3	0	00						0.30
Insurance Expense						3	0	0	0	00						0.32
Payroll Taxes Expense						5	8	2	0	00						0.62
Salary Expense						9	7	0	0	00						10.29
Supplies Expense						1	4	2	9	00						1.52
Total Direct Departmental Expenses											15	4	4	4	00	16.39
Departmental Margin											16	0	4	7	00	17.03

* each item rounded to the nearest 0.01 %

Instruction 2: Prepare the departmental margin statement for the Flowers Department. Calculate the percentage of net sales.

Sundance Flowers and Gifts
Departmental Margin Statement - Flowers
For Month Ended June 30, 19xx

											% of Net Sales*
<i>Revenue</i>											
<i>Sales</i>										19 0 2 2 00	101.26
<i>Less: Sales Returns and Allowances</i>										2 3 6 00	1.26
<i>Net Sales</i>										18 7 8 6 00	100.00
<i>Cost of Goods Sold</i>											
<i>Merchandise Inventory, June 1, 19xx</i>										1 3 2 4 00	7.05
<i>Purchases</i>	5	6	8	2	00						30.25
<i>Less: Purchases Returns and Allowances</i>	1	0	0	00							0.53
<i>Net Purchases</i>										5 5 8 2 00	29.71
<i>Total Cost of Goods Available for Sale</i>										6 9 0 6 00	36.76
<i>Less: Merchandise Inventory, June 30, 19xx</i>										8 5 1 00	4.53
<i>Cost of Goods Sold</i>										6 0 5 5 00	32.23
<i>Gross Profit</i>										12 7 3 1 00	67.77
<i>Direct Departmental Expenses</i>											
<i>Advertising Expense</i>										2 0 0 00	1.06
<i>Delivery Expense</i>										4 3 0 00	2.29
<i>Depreciation Expense - Delivery Equipment</i>										2 0 0 00	1.06
<i>Depreciation Expense - Refrigeration Equipment</i>										1 2 0 00	0.64
<i>Depreciation Expense - Store Equipment</i>										2 0 00	0.11
<i>Insurance Expense</i>										2 5 00	0.13
<i>Payroll Taxes Expense</i>										1 1 0 00	0.59
<i>Salary Expense</i>										2 0 0 0 00	10.65
<i>Supplies Expense</i>										7 2 0 00	3.83
<i>Total Direct Departmental Expenses</i>										3 8 2 5 00	20.36
<i>Departmental Margin</i>										8 9 0 6 00	47.41

* each item rounded to the nearest 0.01%

Instruction 3: Prepare the income statement, and complete the percentage of net sales column. Calculate corporate income tax at 35% (to the nearest dollar). Calculate the percentage of net sales.

<i>Sundance Flowers and Gifts</i>												
<i>Income Statement</i>												
<i>For Month Ended June 30, 19xx</i>												
												% of Net Sales*
<i>Net Sales</i>												
<i>Gifts Department</i>	94	2	5	5	00							83.38
<i>Flowers Department</i>	18	7	8	6	00							16.62
<i>Total Net Sales</i>						113	0	4	1	00		100.00
<i>Cost of Goods Sold</i>												
<i>Gifts Department</i>	62	7	6	4	00							55.52
<i>Flowers Department</i>	6	0	5	5	00							5.36
<i>Total Cost of Goods Sold</i>						68	8	1	9	00		60.88
<i>Gross Profit</i>												
<i>Gifts Department</i>	31	4	9	1	00							27.86
<i>Flowers Department</i>	12	7	3	1	00							11.26
<i>Total Gross Profit</i>						44	2	2	2	00		39.12
<i>Direct Departmental Expenses</i>												
<i>Gifts Department</i>	15	4	4	4	00							13.66
<i>Flowers Department</i>	3	8	2	5	00							3.38
<i>Total Direct Departmental Expenses</i>						19	2	6	9	00		17.04
<i>Departmental Margin</i>												
<i>Gifts Department</i>	16	0	4	7	00							14.20
<i>Flowers Department</i>	8	9	0	6	00							7.88
<i>Total Departmental Margin</i>						24	9	5	3	00		22.07
<i>Indirect Expenses</i>												
<i>Depreciation Expense - Office Equipment</i>	1	8	7	00								0.17
<i>Insurance Expense</i>		9	5	00								0.08
<i>Miscellaneous Expense</i>	5	3	1	00								0.47
<i>Payroll Taxes Expense</i>	4	6	3	00								0.41
<i>Rent Expense</i>	3	8	0	00								3.36
<i>Salary Expense</i>	8	0	0	00								7.08
<i>Supplies Expense</i>	1	0	9	00								0.10
<i>Utilities Expense</i>	5	2	0	00								0.46
<i>Total Indirect Expenses</i>						13	7	0	5	00		12.12
<i>Net Income Before Corporate Income Tax</i>						11	2	4	8	00		9.95
<i>Less: Corporate Income Tax</i>						3	9	3	7	00		3.48
<i>Net Income After Corporate Income Tax</i>						7	3	1	1	00		6.47

* each item rounded to the nearest 0.01 %

Section 1 Assignment E

5

Valleyfield Jewellers deals primarily in high-quality jewellery. To cater to a larger clientele, they also carry several lines of bone china, silver-plated flatware, crystal, and other bridal gift items. The trial balance as of July 31, 19xx, is given on the worksheet.

Instruction 1: Record the following adjustments on the worksheet.

- Bad Debts Expense is estimated at \$50.00.
- Depreciation Expense on Office Equipment is \$57.00.
- Depreciation Expense on Store Equipment in Jewellery is \$211.00.
- Depreciation Expense on Store Equipment in China is \$158.00.
- Advertising Expense is charged 50% to Jewellery and 50% to China. (Credit Advertising Expense in the Indirect Expenses section.)
- Security Expense is charged 80% to Jewellery and 20% to China. (Credit Security Expense in the Indirect Expenses section.)
- Office Supplies are worth \$251.00 at the end of the month. Charge Office Supplies Expense.
- Store Supplies are worth \$469.00 at the end of the month. Charge 20% to Store Supplies Expense – Jewellery and 80% to Store Supplies Expense – China.
- Prepaid Insurance policies are worth \$4 580.00 at the end of the month. Charge 10% to Insurance Expense – Administrative, 60% to Insurance Expense – Jewellery, and 30% to Insurance Expense – China.
- Merchandise Inventory – Jewellery is worth \$78 230.00 at the end of the month.
- Merchandise Inventory – China is worth \$34 499.00 at the end of the month.

Instruction 2: Complete the worksheet for the month. Calculate the corporate income tax (to the nearest dollar) at 35% of the net income before corporate income taxes.

Valleyfield

Work

For Month Ended

			1				2				3				4									
ACCOUNT TITLE			ACCOUNT NUMBER	TRIAL BALANCE								ADJUSTMENTS												
				DEBIT				CREDIT				DEBIT				CREDIT								
1	Cash	1101	3	7	8	5	00											1						
2	Accounts Receivable	1201	1	9	0	4	00											2						
3	Allowance for Doubtful Accounts	1201.1							1	8	4	00				(a)	5	0	00	3				
4	Merchandise Inventory - Jewellery	1301	75	4	8	3	00					(k)	78	2	3	0	00	(l)	75	4	8	3	00	4
5	Merchandise Inventory - China	1401	30	6	8	9	00					(m)	34	4	9	9	00	(n)	30	6	8	9	00	5
6	Office Supplies	1501		3	9	4	00									(g)	1	4	3	00	6			
7	Store Supplies	1511		8	2	4	00									(h)	3	5	5	00	7			
8	Prepaid Insurance	1521	5	2	3	0	00									(i)	6	5	0	00	8			
9	Office Equipment	1601	3	4	2	0	00													9				
10	Accumulated Depreciation - Office Equipment	1601.1						2	0	5	2	00				(b)		5	7	00	10			
11	Store Equipment - Jewellery	1611	12	6	7	2	00													11				
12	Accum. Deprec. - Store Equip. - Jewellery	1611.1						5	0	6	8	00				(c)	2	1	1	00	12			
13	Store Equipment - China	1621	9	4	7	0	00													13				
14	Accum. Deprec. - Store Equipment - China	1621.1						3	7	8	8	00				(d)	1	5	8	00	14			
15	Accounts Payable	2001						1	8	6	0	00								15				
16	Bank Loan Payable	2101						25	0	0	0	00								16				
17	Employees Income Tax Payable	2201						2	6	9	0	00								17				
18	Canada Pension Plan Payable	2202						6	9	2	00									18				
19	Unemployment Insurance Payable	2203						8	1	4	00									19				
20	Corporate Income Tax Payable	2211														(n)	1	5	2	1	00	20		
21	Capital Stock - Common	3001						80	0	0	0	00								21				
22	Retained Earnings	3101						22	3	1	1	00								22				
23	Income Summary - Jewellery	3901										(j)	75	4	8	3	00	(k)	78	2	3	0	00	23
24	Income Summary - China	3911										(l)	30	6	8	9	00	(m)	34	4	9	9	00	24
25	Income Summary - General	3999																		25				
26	Sales - Jewellery	4001						25	8	6	3	00								26				
27	Sales Returns and Allowances - Jewellery	4001.1	1	5	0	0	00													27				
28	Sales - China	4101						20	4	2	0	00								28				
29	Sales Returns and Allowances - China	4101.1		1	8	5	00													29				
30	Purchases - Jewellery	5001	12	4	0	0	00													30				
31	Purchases Returns and Allow. - Jewellery	5001.1						5	7	3	00									31				
32	Purchases - China	5101	15	0	1	5	00													32				
33	Purchases Returns and Allowances - China	5101.1						5	0	9	00									33				
34	Advertising Expense - Jewellery	6001										(e)	6	0	0	00				34				
35	Deprec. Exp. - Store Equipment - Jewellery	6011										(c)	2	1	1	00				35				

*Jewellers Ltd.**sheet**July 31, 19xx*

	5				6				7				8				9				10				11				12				
	DEPARTMENTAL MARGIN STATEMENTS												INCOME STATEMENT								BALANCE SHEET												
	JEWELLERY								CHINA								DEBIT				CREDIT				DEBIT				CREDIT				
	DEBIT				CREDIT				DEBIT				CREDIT																				
1																										3 7 8 5 00						1	
2																										1 9 0 4 00						2	
3																													2 3 4 00			3	
4																										78 2 3 0 00						4	
5																										34 4 9 9 00						5	
6																										2 5 1 00						6	
7																										4 6 9 00						7	
8																										4 5 8 0 00						8	
9																										3 4 2 0 00						9	
10																												2 1 0 9 00				10	
11																										12 6 7 2 00						11	
12																												5 2 7 9 00				12	
13																										9 4 7 0 00						13	
14																												3 9 4 6 00				14	
15																												1 8 6 0 00				15	
16																												25 0 0 0 00				16	
17																												2 6 9 0 00				17	
18																												6 9 2 00				18	
19																												8 1 4 00				19	
20																												1 5 2 1 00				20	
21																												80 0 0 0 00				21	
22																												22 3 1 1 00				22	
23	75 4 8 3 00				78 2 3 0 00																												23
24								30 6 8 9 00				34 4 9 9 00																					24
25																																	25
26					25 8 6 3 00																												26
27	1 5 0 0 0 00																																27
28												20 4 2 0 00																					28
29								1 8 5 00																									29
30	12 4 0 0 0 00																																30
31					5 7 3 00																												31
32								15 0 1 5 00																									32
33												5 0 9 00																					33
34		6 0 0 00																															34
35		2 1 1 00																															35

Valleyfield

Worksheet

For Month Ended

		1		2		3		4											
ACCOUNT TITLE		ACCOUNT NUMBER	TRIAL BALANCE				ADJUSTMENTS												
			DEBIT		CREDIT		DEBIT		CREDIT										
36	Insurance Expense - Jewellery	6021					(i)	3	9	0	00					36			
37	Payroll Taxes Expense - Jewellery	6031		2	0	4	00									37			
38	Salary Expense - Jewellery	6041		3	4	0	0	00								38			
39	Security Expense - Jewellery	6051						(f)	4	0	0	00				39			
40	Store Supplies Expense - Jewellery	6061						(h)		7	1	00				40			
41	Advertising Expense - China	6101						(e)	6	0	0	00				41			
42	Depreciation Expense - Store Equip. - China	6111						(d)	1	5	8	00				42			
43	Insurance Expense - China	6121						(i)	1	9	5	00				43			
44	Payroll Taxes Expense - China	6131			4	9	2	00								44			
45	Salary Expense - China	6141			8	2	0	0	00							45			
46	Security Expense - China	6151						(f)	1	0	0	00				46			
47	Store Supplies Expense - China	6161						(h)	2	8	4	00				47			
48	Advertising Expense	6501		1	2	0	0	00					(e)	1	2	0	0	00	48
49	Bad Debts Expense	6511						(a)		5	0	00					49		
50	Depreciaton Expense - Office Equipment	6521						(b)		5	7	00					50		
51	Insurance Expense - Administrative	6531						(i)		6	5	00					51		
52	Interest Expense	6541			3	0	2	00									52		
53	Miscellaneous Expense	6551			3	1	5	00									53		
54	Payroll Taxes Expense - Administrative	6561			1	1	0	00									54		
55	Rent Expense	6571			2	0	0	0	00								55		
56	Salary Expense - Administrative	6581			1	8	5	0	00								56		
57	Security Expense	6591			5	0	0	00					(f)		5	0	0	00	57
58	Office Supplies Expense	6601						(g)		1	4	3	00					58	
59	Utilities Expense	6611			2	8	0	00										59	
60				191	8	2	4	00	191	8	2	4	00					60	
61	Departmental Margin - Jewellery																	61	
62	Departmental Margin - China (Loss)																	62	
63																		63	
64	Corporate Income Tax	9101							(n)	1	5	2	1	00				64	
65									223	7	4	6	00	223	7	4	6	00	65
66	Net Income After Corporate Income Tax																	66	
67																		67	
68																		68	
69																		69	
70																		70	

*Jewellers Ltd.**(continued)**July 31, 19xx*

	5	6	7	8	9	10	11	12	
	DEPARTMENTAL MARGIN STATEMENTS				INCOME STATEMENT		BALANCE SHEET		
	JEWELLERY		CHINA		DEBIT	CREDIT	DEBIT	CREDIT	
	DEBIT	CREDIT	DEBIT	CREDIT					
36	3 9 0 00								36
37	2 0 4 00								37
38	3 4 0 0 00								38
39	4 0 0 00								39
40	7 1 00								40
41			6 0 0 00						41
42			1 5 8 00						42
43			1 9 5 00						43
44			4 9 2 00						44
45			8 2 0 0 00						45
46			1 0 0 00						46
47			2 8 4 00						47
48									48
49					5 0 00				49
50					5 7 00				50
51					6 5 00				51
52					3 0 2 00				52
53					3 1 5 00				53
54					1 1 0 00				54
55					2 0 0 0 00				55
56					1 8 5 0 00				56
57									57
58					1 4 3 00				58
59					2 8 0 00				59
60	94 6 5 9 00	104 6 6 6 00	55 9 1 8 00	55 4 2 8 00					60
61	10 0 0 7 00					10 0 0 7 00			61
62				4 9 0 00	4 9 0 00				62
63	104 6 6 6 00	104 6 6 6 00	55 9 1 8 00	55 9 1 8 00					63
64					1 5 2 1 00				64
65					7 1 8 3 00	10 0 0 7 00	149 2 8 0 00	146 4 5 6 00	65
66					2 8 2 4 00			2 8 2 4 00	66
67					10 0 0 7 00	10 0 0 7 00	149 2 8 0 00	149 2 8 0 00	67
68									68
69									69
70									70

4

Instruction 3: Prepare the departmental margin statement for the Jewellery Department. Calculate the percentage of net sales for each amount.

Valleyfield Jewellers Ltd.
Departmental Margin Statement - Jewellery
For Month Ended July 31, 19xx

																			% of Net Sales*
<i>Revenue</i>																			
<i>Sales</i>																			106.16
<i>Less: Sales Returns and Allowances</i>																			6.16
<i>Net Sales</i>																			100.00
<i>Cost of Goods Sold</i>																			
<i>Merchandise Inventory, July 1, 19xx</i>																			309.83
<i>Purchases</i>	12	4	0	0	0	0													50.90
<i>Less: Purchases Returns and Allowances</i>	5	7	3	0	0														2.35
<i>Net Purchases</i>																			48.54
<i>Total Cost of Goods Available for Sale</i>																			358.37
<i>Less: Merchandise Inventory, July 31, 19xx</i>																			321.10
<i>Cost of Goods Sold</i>																			
<i>Gross Profit</i>																			37.27
<i>Direct Departmental Expenses</i>																			62.73
<i>Advertising Expense</i>																			2.46
<i>Depreciation Expense - Store Equipment</i>																			0.87
<i>Insurance Expense</i>																			1.60
<i>Payroll Taxes Expense</i>																			0.84
<i>Salary Expense</i>																			13.96
<i>Security Expense</i>																			1.64
<i>Store Supplies Expense</i>																			0.29
<i>Total Direct Departmental Expenses</i>																			21.66
<i>Departmental Margin</i>																			41.07

* each item rounded to the nearest 0.01%

4

Instruction 4: Prepare the departmental margin statement for the China Department. Calculate the percentage of net sales for each amount.

Valleyfield Jewellers Ltd.
Departmental Margin Statement - China
For Month Ended July 31, 19xx

											% of Net Sales*					
Revenue																
Sales						20	4	2	0	00		100.91				
Less: Sales Returns and Allowances						1	8	5	00			0.91				
Net Sales										20	2	3	5	00	100.00	
Cost of Goods Sold																
Merchandise Inventory, July 1, 19xx						30	6	8	9	00					151.66	
Purchases	15	0	1	5	00										74.20	
Less: Purchases Returns and Allowances		5	0	9	00										2.52	
Net Purchases						14	5	0	6	00					71.69	
Total Cost of Goods Available for Sale						45	1	9	5	00					223.35	
Less: Merchandise Inventory, July 31, 19xx						34	4	9	9	00					170.49	
Cost of Goods Sold											10	6	9	6	00	52.86
Gross Profit											9	5	3	9	00	47.14
Direct Departmental Expenses																
Advertising Expense						6	0	0	00							2.97
Depreciation Expense - Store Equipment						1	5	8	00							0.78
Insurance Expense						1	9	5	00							0.96
Payroll Taxes Expense						4	9	2	00							2.43
Salary Expense						8	2	0	0	00						40.52
Security Expense						1	0	0	00							0.49
Store Supplies Expense						2	8	4	00							1.40
Total Direct Departmental Expenses											10	0	2	9	00	49.56
Departmental Margin (Loss)											(	4	9	0	00)	2.42

* each item rounded to nearest 0.01%

4

Instruction 5: Prepare the income statement for the business. Calculate the percentage of net sales for each amount.

Valleyfield Jewellers Ltd.
Income Statement
For Month Ended July 31, 19xx

											% of Net Sales*
<i>Net Sales</i>											
<i>Jewellery Department</i>	24	3	6	3	00						54.63
<i>China Department</i>	20	2	3	5	00						45.37
<i>Total Net Sales</i>						44	5	9	8	00	100.00
<i>Cost of Goods Sold</i>											
<i>Jewellery Department</i>	9	0	8	0	00						20.36
<i>China Department</i>	10	6	9	6	00						23.98
<i>Total Cost of Goods Sold</i>						19	7	7	6	00	44.34
<i>Gross Profit</i>											
<i>Jewellery Department</i>	15	2	8	3	00						34.27
<i>China Department</i>	9	5	3	9	00						21.39
<i>Total Gross Profit</i>						24	8	2	2	00	55.66
<i>Direct Departmental Expenses</i>											
<i>Jewellery Department</i>	5	2	7	6	00						11.83
<i>China Department</i>	10	0	2	9	00						22.49
<i>Total Direct Departmental Expenses</i>						15	3	0	5	00	34.32
<i>Departmental Margin</i>											
<i>Jewellery Department</i>	10	0	0	7	00						22.44
<i>China Department (Loss)</i>	(4)	9	0	0	00						1.10
<i>Total Departmental Margin</i>						9	5	1	7	00	21.34
<i>Indirect Expenses</i>											
<i>Bad Debts Expense</i>			5	0	00						0.11
<i>Depreciation Expense - Office Equipment</i>			5	7	00						0.13
<i>Insurance Expense</i>			6	5	00						0.15
<i>Interest Expense</i>			3	0	2	00					0.68
<i>Miscellaneous Expense</i>			3	1	5	00					0.71
<i>Payroll Taxes Expense</i>			1	1	0	00					0.25
<i>Rent Expense</i>			2	0	0	00					4.48
<i>Salary Expense</i>			1	8	5	0	00				4.15
<i>Office Supplies Expense</i>			1	4	3	00					0.32
<i>Utilities Expense</i>			2	8	0	00					0.63
<i>Total Indirect Expenses</i>						5	1	7	2	00	11.60
<i>Net Income Before Corporate Income Tax</i>						4	3	4	5	00	9.74
<i>Less: Corporate Income Tax</i>						1	5	2	1	00	3.41
<i>Net Income After Corporate Income Tax</i>						2	8	2	4	00	6.33

* each item rounded to nearest 0.01%

4

Instruction 6: Record the adjusting entries starting on page 56 of the general journal.

GENERAL JOURNAL

PAGE 56

	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1		<i>Adjusting Entries</i>				1
2	19xx July 31	<i>Bad Debts Expense</i>		5 0 00		2
3		<i>Allowance for Doubtful Accounts</i>			5 0 00	3
4	31	<i>Depreciation Expense - Office Equipment</i>		5 7 00		4
5		<i>Accumulated Depreciation - Office Equipment</i>			5 7 00	5
6	31	<i>Depreciation Expense - Store Equipment - Jewellery</i>		2 1 1 00		6
7		<i>Accumulated Depreciation - Store Equip. - Jewellery</i>			2 1 1 00	7
8	31	<i>Depreciation Expense - Store Equipment - China</i>		1 5 8 00		8
9		<i>Accumulated Depreciation - Store Equipment - China</i>			1 5 8 00	9
10	31	<i>Advertising Expense - Jewellery</i>		6 0 0 00		10
11		<i>Advertising Expense - China</i>		6 0 0 00		11
12		<i>Advertising Expense</i>			1 2 0 0 00	12
13	31	<i>Security Expense - Jewellery</i>		4 0 0 00		13
14		<i>Security Expense - China</i>		1 0 0 00		14
15		<i>Security Expense</i>			5 0 0 00	15
16	31	<i>Office Supplies Expense</i>		1 4 3 00		16
17		<i>Office Supplies</i>			1 4 3 00	17
18	31	<i>Store Supplies Expense - Jewellery</i>		7 1 00		18
19		<i>Store Supplies Expense - China</i>		2 8 4 00		19
20		<i>Store Supplies</i>			3 5 5 00	20
21	31	<i>Insurance Expense - Administrative</i>		6 5 00		21
22		<i>Insurance Expense - Jewellery</i>		3 9 0 00		22
23		<i>Insurance Expense - China</i>		1 9 5 00		23
24		<i>Prepaid Insurance</i>			6 5 0 00	24
25	31	<i>Income Summary - Jewellery</i>		75 4 8 3 00		25
26		<i>Merchandise Inventory - Jewellery</i>			75 4 8 3 00	26
27	31	<i>Merchandise Inventory - Jewellery</i>		78 2 3 0 00		27
28		<i>Income Summary - Jewellery</i>			78 2 3 0 00	28
29	31	<i>Income Summary - China</i>		30 6 8 9 00		29
30		<i>Merchandise Inventory - China</i>			30 6 8 9 00	30
31	31	<i>Merchandise Inventory - China</i>		34 4 9 9 00		31
32		<i>Income Summary - China</i>			34 4 9 9 00	32
33	31	<i>Corporate Income Tax</i>		1 5 2 1 00		33
34		<i>Corporate Income Tax Payable</i>			1 5 2 1 00	34

4

Instruction 7: Record the closing entries for the departmental margin statements and the income statement in the general journal. Include the entry to close Net Income After Corporate Income Tax to Retained Earnings.

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	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1		<i>Closing Entries</i>				1
2	^{19xx} July 31	<i>Sales - Jewellery</i>		25 8 6 3 00		2
3		<i>Purchases Returns and Allowances - Jewellery</i>		5 7 3 00		3
4		<i>Income Summary - Jewellery</i>			26 4 3 6 00	4
5	31	<i>Income Summary - Jewellery</i>		19 1 7 6 00		5
6		<i>Sales Returns and Allowances - Jewellery</i>			1 5 0 0 00	6
7		<i>Purchases - Jewellery</i>			12 4 0 0 00	7
8		<i>Advertising Expense - Jewellery</i>			6 0 0 00	8
9		<i>Depreciation Expense - Store Equipment - Jewellery</i>			2 1 1 00	9
10		<i>Insurance Expense - Jewellery</i>			3 9 0 00	10
11		<i>Payroll Taxes Expense - Jewellery</i>			2 0 4 00	11
12		<i>Salary Expense - Jewellery</i>			3 4 0 0 00	12
13		<i>Security Expense - Jewellery</i>			4 0 0 00	13
14		<i>Store Supplies Expense - Jewellery</i>			7 1 00	14
15	31	<i>Income Summary - Jewellery</i>		10 0 0 7 00		15
16		<i>Income Summary - General</i>			10 0 0 7 00	16
17	31	<i>Sales - China</i>		20 4 2 0 00		17
18		<i>Purchases Returns and Allowances - China</i>		5 0 9 00		18
19		<i>Income Summary - China</i>			20 9 2 9 00	19
20	31	<i>Income Summary - China</i>		25 2 2 9 00		20
21		<i>Sales Returns and Allowances - China</i>			1 8 5 00	21
22		<i>Purchases - China</i>			15 0 1 5 00	22
23		<i>Advertising Expense - China</i>			6 0 0 00	23
24		<i>Depreciation Expense - Store Equipment - China</i>			1 5 8 00	24
25		<i>Insurance Expense - China</i>			1 9 5 00	25
26		<i>Payroll Taxes Expense - China</i>			4 9 2 00	26
27		<i>Salary Expense - China</i>			8 2 0 0 00	27
28		<i>Security Expense - China</i>			1 0 0 00	28
29		<i>Store Supplies Expense - China</i>			2 8 4 00	29
30	31	<i>Income Summary - General</i>		4 9 0 00		30
31		<i>Income Summary - China</i>			4 9 0 00	31
32	31	<i>Net Income After Corporate Income Tax</i>		2 8 2 4 00		32
33		<i>Retained Earnings</i>			2 8 2 4 00	33
34						34

Section 1: Total Marks 50

Section 2: Manufacturing Business

The basic goals of this section are to ensure that students

- can describe the three manufacturing costs: direct materials, direct labour, and factory overhead
- understand the flow of costs through the three inventory accounts
- are able to prepare a cost sheet for job ordering
- are able to prepare a materials requisition for direct materials

Possible Activities

- Discuss and flowchart the flow of costs through the three inventory accounts.
- Drill students on mathematical calculations.
- Plan a field trip to a manufacturing business to see the various departments in action.
- With the use of an overhead projector, analyse the statement of cost of goods manufactured.

Section 2 Activity 1

1. salary of a cost accountant	<i>FO</i>
2. wages of a sewing machine operator	<i>DL</i>
3. wages of a factory foreman	<i>FO</i>
4. dividends paid by the company	<i>N</i>
5. advertising expenses	<i>N</i>
6. wood used in making a dresser	<i>DM</i>
7. glue used in making a dresser	<i>FO</i>
8. fancy drawer pulls used in making a dresser	<i>DM</i>
9. fire insurance on the factory building	<i>FO</i>
10. fire insurance on the head office	<i>N</i>

Section 2 Activity 2

Record the transactions on the following materials ledger card. Whenever the balances reach the minimum, make an entry in the Order column to bring the quantity back to maximum. Number the purchase orders consecutively, starting with Purchase Order No. 3061. This paint is sold only in lots of 10 cans per carton.

- Oct. 3. Issued 25 cans. Materials Requisition No. 497.
6. Issued 12 cans. Materials Requisition No. 509.
7. Received 300 cans ordered on September 23, on PO 3060.
7. Received a letter from the supplier. There will be a price increase effective September 15. The new price is \$22.42 per five-litre can.
10. Issued 30 cans. Materials Requisition No. 524.
17. Issued 40 cans. Materials Requisition No. 561.
22. Issued 45 cans. Materials Requisition No. 587.
27. Issued 55 cans. Materials Requisition No. 638.
29. Issued 70 cans. Materials Requisition No. 661.

NO. <u>P113</u>		ARTICLE <u>Paint - Flat Black Acrylic (5 L cans)</u>											
Location <u>G-75</u>		Maximum <u>400</u>	Minimum <u>100</u>										
ORDER		RECEIVED			ISSUED			BALANCE					
Date	Purchase Order Number	Quantity	Date	Purchase Order Number	Quantity	Unit Price	Value	Date	Requisition Number	Quantity	Unit Price	Value	
								19xx Sept. 15		150	21.35	3 202.50	
								19xx Sept. 19	385	25	21.35	533.75	
								23	409	20	21.35	427.00	
19xx Sept. 23	3060	300						23		105	21.35	2 241.75	
								23		105	21.35	2 241.75	
								28	451	30	21.35	640.50	
								Oct. 3	497	25	21.35	533.75	
								6	509	12	21.35	256.20	
			19xx Oct. 7	3060	300	22.42	6 726.00			7	338	22.42	7 577.96
								10	524	30	22.42	672.60	
								17	561	40	22.42	896.80	
								22	587	45	22.42	1 008.90	
								27	638	55	22.42	1 233.10	
								29	661	70	22.42	1 569.40	
Oct. 29	3061	300								98	22.42	2 197.16	

Section 2 Activity 3

1. Complete a job cost sheet for Job No. 3817, including unit cost. The order is for 100 Christmas Gift Baskets for stock. The order is started on September 11 and is to be completed by September 20. It is completed on September 20. Record the following items:

- Sept. 11. Requisition No. 833, \$381.00
- 12. Time Ticket No. 0912-4, \$12.50
- 13. Requisition No. 838, \$1 389.00
Time Ticket No. 0913-4, \$46.00
Time Ticket No. 0913-5, \$46.00
- 14. Requisition No. 845, \$425.00
Time Ticket No. 0914-4, \$46.00
Time Ticket No. 0914-5, \$46.00
- 17. Requisition No. 851, \$669.00
Time Ticket No. 0917-4, \$46.00
- 20. Time Ticket No. 0920-4, \$25.00

Factory Overhead is to be charged at 110% of Direct Labour costs.

Job Number <u>3817</u>	COST SHEET
Item <u>Christmas Gift Basket</u>	Date Started <u>September 11, 19xx</u>
Number of Items <u>100</u>	Date Wanted <u>September 20, 19xx</u>
Ordered for <u>Stock</u>	Date Completed <u>September 20, 19xx</u>

DIRECT MATERIALS			DIRECT LABOUR			SUMMARY	
Requisition Number	Date	Amount	Time Ticket Number	Date	Amount	Item	Amount
833	Sept. 11, 19xx	381.00	0912 - 4	Sept. 12, 19xx	12.50	Direct Materials	2 864.00
838	Sept. 13, 19xx	1 389.00	0913 - 4	Sept. 13, 19xx	46.00	Direct Labour	267.50
845	Sept. 14, 19xx	425.00	0913 - 5		46.00	Factory Overhead	
851	Sept. 17, 19xx	669.00	0914 - 4	Sept. 14, 19xx	46.00	(110% of Direct Labour)	294.25
		2 864.00	0915 - 5		46.00	Total Cost	3 425.75
			0917 - 4	Sept. 17, 19xx	46.00	No. of Units Completed	100
			0920 - 4	Sept. 20, 19xx	25.00	Unit Cost	34.26
					267.50		

2. Calculate the cost of the Work in Process inventory for the following job orders. All Factory Overhead is to be charged at the rate of 60% of Direct Labour.

Job Order	Direct Materials	Direct Labour	Factory Overhead	Cost of Inventory
3488	\$ 2 051.47	\$1 349.50	\$ 809.70	\$ 4 210.67
3489	10 367.00	619.00	371.40	11 357.40
3490	1 334.10	2 782.75	1 669.65	5 786.50
Work In Process Inventory				21 354.57

Section 2 Activity 4

1. Record the following entries on March 17, 19xx. Use page 87 of a general journal.

March 17. Direct materials purchased, \$1 847.75. Cheque No. 2085.

17. Direct materials issued, \$340.05. Requisition No. 418.

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	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1	Mar. 17	Direct Materials		1 8 4 7 75		1
2		Cash			1 8 4 7 75	2
3		Cheque No. 2085				3
4	17	Work in Process		3 4 0 05		4
5		Direct Materials			3 4 0 05	5
6		Requisition No. 418				6
7						7
8						8

2. Record the factory payroll for the week ending August 1, 19xx, on page 46 of a general journal.

The payroll register contains the following information:

Direct Labour, \$7 348.01

Indirect Labour, \$2 418.18

Employees Income Tax Payable, \$1 295.70

Canada Pension Payable, \$209.08

Unemployment Insurance Payable, \$155.47

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	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1	Aug. 1	Work in Process		7 3 4 8 01		1
2		Factory Overhead		2 4 1 8 18		2
3		Wages Payable			8 1 0 5 94	3
4		Employees Income Tax Payable			1 2 9 5 70	4
5		Canada Pension Plan Payable			2 0 9 08	5
6		Unemployment Insurance Payable			1 5 5 47	6
7		August 1 Factory Payroll				7
8						8

3. Prepare the journal entries to charge the actual expenses to Factory Overhead and to calculate and apply Factory Overhead to Work in Process. Record the entries as of April 30, 19xx, on page 128 of a general journal. If there is a difference, close the Factory Overhead account. Number the source documents Memo No. 472, Memo No. 473, and Memo No. 474.

Actual Expenses

Depreciation Expense – Factory Building, \$358.00
 Depreciation Expense – Factory Equipment, \$823.40
 Maintenance Expense – Factory, \$2 816.60
 Miscellaneous Expense – Factory, \$1 128.30
 Payroll Taxes Expense – Factory, \$992.90
 Supplies Expense – Factory, \$2 478.10

Overhead is applied at the rate of 115% of Direct Labour. Direct Labour is \$7 319.78.

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	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1	19xx Apr. 30	<i>Factory Overhead</i>		8 5 9 7 30		1
2		<i>Depreciation Expense - Factory Building</i>			3 5 8 00	2
3		<i>Depreciation Expense - Factory Equipment</i>			8 2 3 40	3
4		<i>Maintenance Expense - Factory</i>			2 8 1 6 60	4
5		<i>Miscellaneous Expense - Factory</i>			1 1 2 8 30	5
6		<i>Payroll Taxes Expense - Factory</i>			9 9 2 90	6
7		<i>Supplies Expense - Factory</i>			2 4 7 8 10	7
8		<i>Memo No. 472</i>				8
9	30	<i>Work in Process</i>		8 4 1 7 75		9
10		<i>Factory Overhead</i>			8 4 1 7 75	10
11		<i>Memo No. 473</i>				11
12	30	<i>Income Summary</i>		1 7 9 55		12
13		<i>Factory Overhead</i>			1 7 9 55	13
14		<i>Memo No. 474</i>				14
15						15

4. Record the adjusting entries for the following inventories on page 73 of a general journal. The date is March 31, 19xx.

Direct Materials

Book balance – \$4 298.48

Physical inventory – \$3 833.85

Memo No. 64

Work in Process

Book balance – \$6 526.40

Physical inventory – \$6 934.50

Memo No. 65

Finished Goods

Book balance – \$10 237.55

Physical inventory – \$9 989.65

Memo No. 66

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	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1	Mar. ^{19xx} 31	<i>Income Summary</i>		4 6 4 63		1
2		<i>Direct Materials</i>			4 6 4 63	2
3		<i>Memo No. 64</i>				3
4	31	<i>Work in Process</i>		4 0 8 10		4
5		<i>Income Summary</i>			4 0 8 10	5
6		<i>Memo No. 65</i>				6
7	31	<i>Income Summary</i>		2 4 7 90		7
8		<i>Finished Goods</i>			2 4 7 90	8
9		<i>Memo No. 66</i>				9
10						10

Section 2 Activity 5

1. Complete the statement of cost of goods manufactured for Royal Oak Furniture Ltd. for the month ended April 30, 19xx.

Direct Materials

The inventory on April 1 was \$21 349.00 and \$28 925.00 on April 30. Purchases during the month were \$58 462.00.

Direct Labour

\$34 718.00

Factory Overhead Applied

\$29 510.00

Work in Process

Inventory on April 1 was \$52 019.00 and \$45 507.00 on April 30.

<p style="text-align: center;"><i>Royal Oak Furniture Ltd.</i> <i>Statement of Cost of Goods Manufactured</i> <i>For Month Ended April 30, 19xx</i></p>												
<i>Direct Materials</i>												
<i>Materials Inventory, April 1, 19xx</i>	21	3	4	9	00							
<i>Add: Materials Purchased</i>	58	4	6	2	00							
<i>Total Materials Available</i>	79	8	1	1	00							
<i>Less: Materials Inventory, April 30, 19xx</i>	28	9	2	5	00							
<i>Cost of Direct Materials Placed in Process</i>									50	8	8	6
<i>Direct Labour</i>									34	7	1	8
<i>Factory Overhead Applied</i>									29	5	1	0
<i>Total Cost of Work Placed in Process</i>									115	1	1	4
<i>Add: Work in Process Inventory, April 1, 19xx</i>									52	0	1	9
<i>Total Cost of Work in Process</i>									167	1	3	3
<i>Less: Work in Process Inventory, April 30, 19xx</i>									45	5	0	7
<i>Cost of Goods Manufactured</i>									121	6	2	6

2. Prepare the statement of cost of goods manufactured for Royal Oak Furniture Ltd. for the month ended May 31, 19xx.

Direct Materials

The inventory on May 1 was \$28 925.00 and \$20 552.00 on May 31.

Purchases during the month were \$70 002.00.

Direct Labour

\$39 479.00

Factory Overhead Applied

\$33 557.00

Work in Process

Inventory on May 1 was \$45 507.00 and \$48 448.00 on May 31.

The amount for Cost of Goods Manufactured is used in preparing the income statement for a manufacturing business.

Royal Oak Furniture Ltd.
Statement of Cost of Goods Manufactured
For Month Ended May 31, 19xx

[illegible]

Section 2 Activity 6

1. Complete the income statement for Royal Oak Furniture Ltd. for the month ended April 30, 19xx.

Sales

\$152 672.00 less \$148.00 discount

Finished Goods Inventories

\$46 405.00 on April 1

\$49 115.00 on April 30

Cost of Goods Manufactured

\$121 626.00

Factory Overhead

\$29 510.00 applied

\$28 992.00 actual

Selling Expenses

Advertising Expense, \$2 000.00

Delivery Expense, \$2 500.00

Depreciation Expense – Store Fixtures, \$480.00

Miscellaneous Expense – Sales, \$429.00

Salary Expense – Sales, \$10 500.00

Administrative Expenses

Bad Debts Expense, \$250.00

Depreciation Expense – Office Equipment, \$320.00

Insurance Expense – Office, \$150.00

Miscellaneous Expense – Administrative, \$672.00

Salary Expense – Administrative, \$18 000.00

Supplies Expense – Office, \$293.00

Other Expenses

Loss on Sale of Fixed Assets, \$3 469.00

2. Prepare the income statement for Royal Oak Furniture Ltd. for the month ended May 31, 19xx.

Sales

\$223 071.00 less \$219.00 discount

Finished Goods Inventories

\$49 115.00 on May 1

\$48 532.00 on May 31

Cost of Goods Manufactured

\$148 470.00

Factory Overhead

\$33 557.00 applied

\$33 613.00 actual

Selling Expenses

Advertising Expense, \$2 500.00

Delivery Expense, \$2 500.00

Depreciation Expense – Store Fixtures, \$480.00

Miscellaneous Expense – Sales, \$172.00

Salary Expense – Sales, \$10 850.00

Administrative Expenses

Bad Debts Expense, \$250.00

Depreciation Expense – Office Equipment, \$320.00

Insurance Expense – Office, \$150.00

Miscellaneous Expense – Administrative, \$1 245.00

Salary Expense – Administrative, \$21 000.00

Supplies Expense – Office, \$281.00

Other Revenue

Gain on Sale of Fixed Assets, \$4 318.00

Other Expenses

Loss on Sale of Fixed Assets, \$5 750.00

Corporate Income Tax

estimated at 35% (to the nearest dollar) of Net Income Before Corporate Income Tax

Royal Oak Furniture Ltd.
Income Statement
For Month Ended May 31, 19xx

Revenue from Sales																											
Sales															223	0	7	1	00								
Less: Sales Discount																2	1	9	00								
Net Sales																			222	8	5	2	00				
Cost of Goods Sold																											
Finished Goods Inventory, May 1, 19xx																49	1	1	5	00							
Add: Cost of Goods Manufactured (Schedule A)																148	4	7	0	00							
Total Cost of Finished Goods Available for Sale																197	5	8	5	00							
Less: Finished Goods Inventory, May 31, 19xx																48	5	3	2	00							
Cost of Goods Sold																149	0	5	3	00							
Add: Underapplied Overhead																		5	6	00							
Net Cost of Goods Sold																				149	1	0	9	00			
Gross Profit on Operations																				73	7	4	3	00			
Operating Expenses																											
Selling Expenses																											
Advertising Expense										2	5	0	0	00													
Delivery Expense										2	5	0	0	00													
Depreciation Expense - Store Fixtures													4	8	0	00											
Miscellaneous Expense - Sales													1	7	2	00											
Salary Expense - Sales										10	8	5	0	00													
Total Selling Expenses																16	5	0	2	00							
Administrative Expenses																											
Bad Debts Expense											2	5	0	00													
Depreciation Expense - Office Equipment											3	2	0	00													
Insurance Expense - Office											1	5	0	00													
Miscellaneous Expense - Administrative											1	2	4	5	00												
Salary Expense - Administrative										21	0	0	0	00													
Supplies Expense - Office											2	8	1	00													
Total Administrative Expenses																23	2	4	6	00							
Total Operating Expenses																				39	7	4	8	00			
Net Income from Operations																				33	9	9	5	00			
Other Revenue																											
Gain on Sale of Fixed Assets																4	3	1	8	00							
Other Expenses																											
Loss on Sale of Fixed Assets																5	7	5	0	00							
Net Deduction																					1	4	3	2	00		
Net Income Before Corporate Income Tax																				32	5	6	3	00			
Less: Corporate Income Tax																					11	3	9	7	00		
Net Income After Corporate Income Tax																					21	1	6	6	00		

Section 2 Activity 7

1. Complete the Balance Sheet for Royal Oak Furniture Ltd. as of April 30, 19xx. The account balances are listed.

Assets

Cash, \$29 455.00

Accounts Receivable, \$39 742.00 less \$1 517.00 for Doubtful Accounts

Direct Materials, \$28 925.00

Work in Process, \$45 507.00

Finished Goods, \$49 115.00

Prepaid Insurance, \$1 500.00

Factory Supplies, \$4 141.00

Office Supplies, \$753.00

Factory Equipment, \$335 000.00 less \$67 008.00 Accumulated Depreciation

Store Fixtures, \$57 600.00 less \$7 680.00 Accumulated Depreciation

Office Equipment, \$38 400.00 less \$5 120.00 Accumulated Depreciation

Factory Building, \$375 000.00 less \$36 640.00 Accumulated Depreciation

Liabilities

Demand Bank Loan, \$50 000.00

Accounts Payable, \$15 861.00

Employees Income Tax Payable, \$12 644.00

Canada Pension Plan Payable, \$1 897.00

Unemployment Insurance Payable, \$2 529.00

Corporate Income Tax Payable, \$10 467.00 (Adjustments for this month's loss will be made at year end.)

Mortgage Payable, \$200 000.00

Shareholders' Equity

Capital Stock, \$500 000.00

Retained Earnings, \$93 775.00

Royal Oak Furniture Ltd.

Balance Sheet

April 30, 19xx

Assets																			
<i>Current Assets</i>																			
Cash										29	4	5	5	00					
Accounts Receivable	39	7	4	2	00														
Less: Allowance for Doubtful Accounts	1	5	1	7	00					38	2	2	5	00					
Direct Materials										28	9	2	5	00					
Work in Process										45	5	0	7	00					
Finished Goods										49	1	1	5	00					
Prepaid Insurance										1	5	0	0	00					
Supplies - Factory										4	1	4	1	00					
Supplies - Office										7	5	3	00						
Total Current Assets															197	6	2	1	00
<i>Fixed Assets</i>																			
Factory Equipment	335	0	0	0	00														
Less: Accumulated Depreciation - Factory Equipment	67	0	0	8	00					267	9	9	2	00					
Store Fixtures	57	6	0	0	00														
Less: Accumulated Depreciation - Store Fixtures	7	6	8	0	00					49	9	2	0	00					
Office Equipment	38	4	0	0	00														
Less: Accumulated Depreciation - Office Equipment	5	1	2	0	00					33	2	8	0	00					
Factory Building	375	0	0	0	00														
Less: Accumulated Depreciation - Factory Building	36	6	4	0	00					338	3	6	0	00					
Total Fixed Assets															689	5	5	2	00
Total Assets															887	1	7	3	00
<i>Liabilities</i>																			
<i>Current Liabilities</i>																			
Demand Bank Loan										50	0	0	0	00					
Accounts Payable										15	8	6	1	00					
Employees Income Tax Payable										12	6	4	4	00					
Canada Pension Plan Payable										1	8	9	7	00					
Unemployment Insurance Payable										2	5	2	9	00					
Corporate Income Tax Payable										10	4	6	7	00					
Total Current Liabilities															93	3	9	8	00
<i>Long-Term Liabilities</i>																			
Mortgage Payable															200	0	0	0	00
Total Liabilities															293	3	9	8	00
<i>Shareholders' Equity</i>																			
Capital Stock - Common										500	0	0	0	00					
Retained Earnings										93	7	7	5	00					
Total Shareholders' Equity															593	7	7	5	00
Total Liabilities and Shareholders' Equity															887	1	7	3	00

2. Prepare the balance sheet for Royal Oak Furniture Ltd. as of May 31, 19xx. The account balances are listed.

Assets

Cash, \$59 796.00
Accounts Receivable, \$49 551.00 less \$1 645.00 for Doubtful Accounts
Direct Materials, \$20 552.00
Work in Process, \$48 448.00
Finished Goods, \$48 532.00
Prepaid Insurance, \$1 350.00
Factory Supplies, \$3 839.00
Office Supplies, \$587.00
Factory Equipment, \$335 000.00 less \$71 196.00 Accumulated Depreciation
Store Fixtures, \$57 600.00 less \$8 160.00 Accumulated Depreciation
Office Equipment, \$38 400.00 less \$5 440.00 Accumulated Depreciation
Factory Building, \$375 000.00 less \$38 930.00 Accumulated Depreciation

Liabilities

Demand Bank Loan, \$40 000.00
Accounts Payable, \$17 417.00
Employees Income Tax Payable, \$14 120.00
Canada Pension Plan Payable, \$2 118.00
Unemployment Insurance Payable, \$2 824.00
Corporate Income Tax Payable, \$21 864.00
Mortgage Payable, \$200 000.00

Shareholders' Equity

Capital Stock, \$500 000.00
Retained Earnings, \$114 941.00

Royal Oak Furniture Ltd.

Balance Sheet

May 31, 19xx

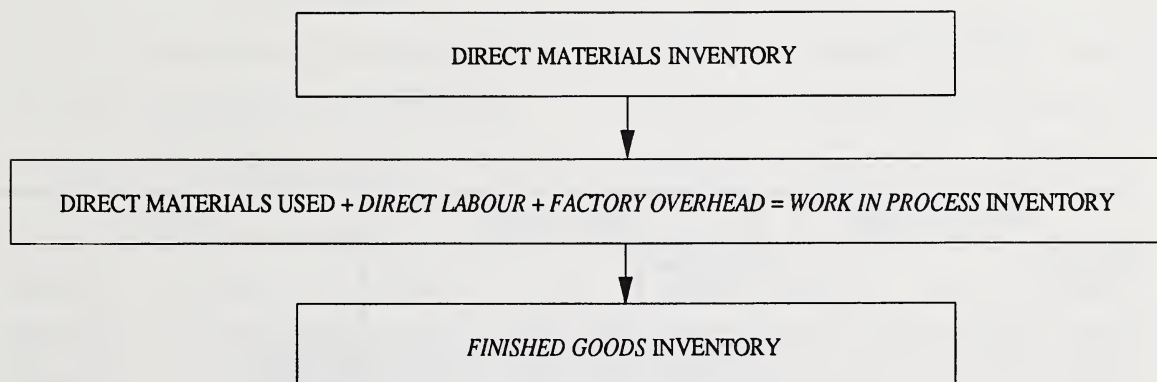
Assets																			
<i>Current Assets</i>																			
Cash										59	7	9	6	00					
Accounts Receivable	49	5	5	1	00														
Less: Allowance for Doubtful Accounts	1	6	4	5	00					47	9	0	6	00					
Direct Materials										20	5	5	2	00					
Work in Process										48	4	4	8	00					
Finished Goods										48	5	3	2	00					
Prepaid Insurance										1	3	5	0	00					
Supplies - Factory										3	8	3	9	00					
Supplies - Office										5	8	7	00						
Total Current Assets															231	0	1	0	00
<i>Fixed Assets</i>																			
Factory Equipment	335	0	0	0	00														
Less: Accumulated Depreciation - Factory Equipment	71	1	9	6	00					263	8	0	4	00					
Store Fixtures	57	6	0	0	00														
Less: Accumulated Depreciation - Store Fixtures	8	1	6	0	00					49	4	4	0	00					
Office Equipment	38	4	0	0	00														
Less: Accumulated Depreciation - Office Equipment	5	4	4	0	00					32	9	6	0	00					
Factory Building	375	0	0	0	00														
Less: Accumulated Depreciation - Factory Building	38	9	3	0	00					336	0	7	0	00					
Total Fixed Assets															682	2	7	4	00
Total Assets															913	2	8	4	00
<i>Liabilities</i>																			
<i>Current Liabilities</i>																			
Demand Bank Loan										40	0	0	0	00					
Accounts Payable										17	4	1	7	00					
Employees Income Tax Payable										14	1	2	0	00					
Canada Pension Plan Payable										2	1	1	8	00					
Unemployment Insurance Payable										2	8	2	4	00					
Corporate Income Tax Payable										21	8	6	4	00					
Total Current Liabilities															98	3	4	3	00
<i>Long-Term Liabilities</i>																			
Mortgage Payable															200	0	0	0	00
Total Liabilities															298	3	4	3	00
<i>Shareholders' Equity</i>																			
Capital Stock - Common										500	0	0	0	00					
Retained Earnings										114	9	4	1	00					
Total Shareholders' Equity															614	9	4	1	00
Total Liabilities and Shareholders' Equity															913	2	8	4	00

Section 2 Follow-up Activities

Extra-help Activities

Extra-help Activity A

Complete the flowchart of the manufacturing process by inserting the four missing words or phrases.



Extra-help Activity B

Applied Factory Overhead is usually calculated as a percentage of direct labour costs. To calculate the amount of applied Factory Overhead, multiply the amount of Direct Labour by the percentage rate and divide by 100.

Calculate the amount of Factory Overhead and Total Cost on the following job orders. All overhead is applied as a percentage of Direct Labour.

Direct Materials	Direct Labour	Rate	Factory Overhead	Total Cost
\$57 385.12	\$23 193.45	100%	\$23 193.45	\$103 772.02
1 038.00	4 619.39	125%	5 774.24	11 431.63
545.50	650.20	50%	325.10	1 520.80
88 263.75	67 396.15	75%	50 547.11	206 207.01
812.90	3 957.52	150%	5 936.28	10 706.70

Extra-help Activity C

Complete the job cost sheet for Job Order No. 92-413. This is an order for 250 units of PC1052 patio chairs.

Job Number <u>92-413</u>			COST SHEET				
Item <u>PC1052 - Patio Chairs</u>			Date Started <u>April 4, 19xx</u>				
Number of Items <u>250</u>			Date Wanted <u>April 13, 19xx</u>				
Ordered for <u>Stock</u>			Date Completed <u>April 12, 19xx</u>				

DIRECT MATERIALS			DIRECT LABOUR			SUMMARY	
Requisition Number	Date	Amount	Time Ticket Number	Date	Amount	Item	Amount
2431	<i>Apr. 4, 19xx</i>	5 587.50	401-405	<i>Apr. 5, 19xx</i>	510.00	<i>Direct Materials</i>	15 500.00
2462	<i>Apr. 6, 19xx</i>	1 875.00	439-443	<i>Apr. 6, 19xx</i>	510.00	<i>Direct Labour</i>	2 057.00
2471	<i>Apr. 6, 19xx</i>	8 037.50	472-473	<i>Apr. 7, 19xx</i>	245.00	<i>Factory Overhead</i>	
		15 500.00	494-497	<i>Apr. 10, 19xx</i>	264.00	<i>(120% of Direct Labour)</i>	2 468.40
			510-513	<i>Apr. 11, 19xx</i>	264.00	<i>Total Cost</i>	20 025.40
			525-528	<i>Apr. 12, 19xx</i>	264.00	<i>No. of Units Completed</i>	250
					2 057.00	<i>Unit Cost</i>	80.10

Extra-help Activity D

Identify the accounts debited and credited in a general journal for the following transactions:

1. Transfer the total of all direct materials requisitions from Direct Materials to Work in Process.

Dr *Work in Process*

Cr Direct Materials

2. Transfer the total Direct Labour costs to Work in Process.

Dr *Work in Process*

Cr Direct Labour

3. Close the balances in each of the expense accounts to Factory Overhead.

Dr *Factory Overhead*

Cr Depreciation Expense – Factory Building
Cr Depreciation Expense – Factory Equipment
Cr Factory Supplies Expense
Cr Indirect Labour Expense
Cr Insurance Expense – Factory
Cr Payroll Taxes Expense
Cr Property Tax Expense
Cr Utilities Expense

4. Transfer the applied Factory Overhead to Work in Process.

Dr *Work in Process*

Cr *Factory Overhead*

5. Transfer the balance of the Factory Overhead account to Income Summary when the applied overhead is larger than the actual overhead.

Dr *Factory Overhead*

Cr *Income Summary*

6. Transfer the total of all jobs completed from Work in Process to Finished Goods.

Dr *Finished Goods*

Cr *Work in Process*

Extra-help Activity E

Complete the statement of cost of goods manufactured for Royal Oak Furniture Ltd. for the month ended June 30, 19xx.

Direct Materials

The inventory on June 1 was \$20 552.00 and \$21 329.00 on June 30.

Purchases during the month totalled \$61 582.00.

Direct Labour

\$40 013.00

Factory Overhead Applied

\$34 011.00

Work in Process

Inventory on June 1 was \$48 448.00 and \$49 570.00 on June 30.

<p style="text-align: center;"> <i>Royal Oak Furniture Ltd.</i> <i>Statement of Cost of Goods Manufactured</i> <i>For Month Ended June 30, 19xx</i> </p>												
<i>Direct Materials</i>												
<i>Materials Inventory, June 1, 19xx</i>	20	5	5	2	00							
<i>Add: Materials Purchased</i>	61	5	8	2	00							
<i>Total Materials Available</i>	82	1	3	4	00							
<i>Less: Materials Inventory, June 30, 19xx</i>	21	3	2	9	00							
<i>Cost of Direct Materials Placed in Process</i>										60	8	9
<i>Direct Labour</i>										40	0	1
<i>Factory Overhead Applied</i>										34	0	1
<i>Total Cost of Work Placed in Process</i>										134	9	1
<i>Add: Work in Process Inventory, June 1, 19xx</i>										48	4	4
<i>Total Cost of Work in Process</i>										183	3	6
<i>Less: Work in Process Inventory, June 30, 19xx</i>										49	5	7
<i>Cost of Goods Manufactured</i>										133	7	9

Enrichment Activities

Enrichment Activity A

Complete the following chart by estimating the Factory Overhead as a percentage of direct labour costs at the rate given. In addition, calculate the difference between the actual and the applied overhead, and indicate whether it is known as overapplied overhead or underapplied overhead.

Direct Labour	Rate	Applied Overhead	Actual Overhead	Difference	Overapplied/ Underapplied
\$34 581.50	85%	\$29 394.28	\$29 563.25	\$ 168.97	<i>under</i>
117 960.89	35%	41 286.31	42 625.73	1 339.42	<i>under</i>
2 105.38	110%	2 315.92	2 308.15	7.77	<i>over</i>
22 895.26	125%	28 619.08	28 691.10	72.02	<i>under</i>

Enrichment Activity B

1. On September 30, 19xx, the records of Whitehorn Skiwear show the following information:

- The total of all requisitions of direct materials issued during September is \$107 240.00.
- The total of direct labour costs during September is \$97 120.00.
- The expense account balances in the general ledger for September are as follows:

Depreciation Expense – Factory Building	\$ 1 200.00
Depreciation Expense – Factory Equipment	2 454.00
Factory Supplies Expense	7 680.00
Indirect Labour Expense	33 400.00
Insurance Expense – Factory	640.00
Payroll Taxes Expense – Factory	5 956.00
Property Tax Expense – Factory	3 020.00
Utilities Expense – Factory	39 50.00

- Factory Overhead is applied at the rate of 62% of direct labour costs (to the nearest dollar).
- Cost sheets completed during the month total \$260 980.00.

Instruction: Prepare the following journal entries on page 351 of a general journal.

- Transfer the total of all direct materials requisitions from Direct Materials to Work in Process. Memo No. 458.
- Transfer the total direct labour costs to Work in Process. Memo No. 459.
- Close the balances in each of the expense accounts to Factory Overhead. Memo No. 460.
- Transfer the applied Factory Overhead to Work in Process. Memo No. 461.
- Transfer the balance of the Factory Overhead account to Income Summary. Memo No. 462.
- Transfer the total of all jobs completed from Work in Process to Finished Goods. Memo No. 463.

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	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1	Sept. 19xx	30 <i>Work in Process</i>		107 2 4 0 00		1
2		<i>Direct Materials</i>			107 2 4 0 00	2
3		<i>Memo No. 458</i>				3
4		30 <i>Work in Process</i>		97 1 2 0 00		4
5		<i>Direct Labour</i>			97 1 2 0 00	5
6		<i>Memo No. 459</i>				6
7		30 <i>Factory Overhead</i>		58 3 0 0 00		7
8		<i>Depreciation Expense - Factory Building</i>			1 2 0 0 00	8
9		<i>Depreciation Expense - Factory Equipment</i>			2 4 5 4 00	9
10		<i>Factory Supplies Expense</i>			7 6 8 0 00	10
11		<i>Indirect Labour Expense</i>			33 4 0 0 00	11
12		<i>Insurance Expense - Factory</i>			6 4 0 0 00	12
13		<i>Payroll Taxes Expense - Factory</i>			5 9 5 6 00	13
14		<i>Property Tax Expense - Factory</i>			3 0 2 0 00	14
15		<i>Utilities Expense - Factory</i>			3 9 5 0 00	15
16		<i>Memo No. 460</i>				16
17		30 <i>Work in Process</i>		60 2 1 4 00		17
18		<i>Factory Overhead</i>			60 2 1 4 00	18
19		<i>Memo No. 461</i>				19
20		30 <i>Factory Overhead</i>		1 9 1 4 00		20
21		<i>Income Summary</i>			1 9 1 4 00	21
22		<i>Memo No. 462</i>				22
23		30 <i>Finished Goods</i>		260 9 8 0 00		23
24		<i>Work in Process</i>			260 9 8 0 00	24
25		<i>Memo No. 463</i>				25
26						26

Enrichment Activity C

Imposing additional taxes – such as a sales tax – is one way the federal government can raise additional funds.

Assume that in February, 19xx, the unit cost of Product X is \$100.00. By adding a profit margin of 20%, the selling price is \$120.00. Direct Materials cost \$40.00, Direct Labour is \$40.00, and Factory Overhead is 50% of Direct Labour. The Payroll Taxes Expense portion of Direct Labour is \$3.00.

Assume that in March 19xx the government brings down a new budget with the following changes:

- A sales tax of 10% will be imposed at all levels.
- Canada Pension and Unemployment insurance premiums will rise to produce a net Payroll Taxes Expense increase of 16%.

Not only will the cost of direct materials and direct labour rise, but actual overhead will rise because of the materials (for example, Supplies) and the indirect labour factors in overhead. Assume that an analysis of overhead estimates that factory overhead should be applied at the rate of 60% of direct labour.

The sales tax based on the selling price also affects the cost to the consumer.

Instruction: Calculate the unit price to the consumer before and after the federal budget by completing the chart.

	February	March
Direct Materials	\$ 40.00	\$ 44.00
Direct Labour	40.00	40.48
Applied Factory Overhead	20.00	24.29
Unit Cost	100.00	108.77
Profit Margin	20.00	21.75
Selling Price	120.00	130.52
Sales Tax	0	13.05
Price to Consumer	120.00	143.57

Section 2 Assignment

The assignment and answers for Section 2 are given on the following pages. A suggested mark distribution follows:

Part A	5 marks
B	5 marks
C	10 marks
D	5 marks
E	10 marks
F	5 marks
G	<u>10 marks</u>
Total	50 marks

The marks are also given in the left margin beside each question.

Section 2 Assignment A

For each of the following, select the answer that best completes the statement.

5

- D 1. The account balances in the Trial Balance columns of the worksheet are taken from the
- A. cash journal
 - B. synoptic journal
 - C. cash ledger
 - D. general ledger
- D 2. On the worksheet for a departmentalized merchandising business, the liabilities are extended to the
- A. Adjustments columns
 - B. Departmental Margin Statements columns
 - C. Income Statement columns
 - D. Balance Sheet columns
- B 3. On the worksheet for a departmentalized merchandising business, the revenues are extended to the
- A. Adjustments columns
 - B. Departmental Margin Statements columns
 - C. Income Statement columns
 - D. Balance Sheet columns

- D 4. The data used to prepare a departmental margin statement is taken from the
- A. synoptic journal
 - B. special journals
 - C. general ledger
 - D. worksheet
- D 5. The departmental margin is the
- A. revenue earned by the department less cost of goods sold less direct expenses less indirect expenses
 - B. revenue earned by the department less liabilities less direct expenses
 - C. revenue earned by the department less direct expenses less indirect expenses
 - D. none of the above
- C 6. The form used to authorize the transfer of materials from the storeroom to the factory is called a
- A. cost sheet
 - B. materials sheet
 - C. materials requisition
 - D. materials ledger
- B 7. After the order is filled, the original of a materials requisition is given to the
- A. department foreman who authorized the requisition
 - B. cost accounting clerk
 - C. plant manager
 - D. worker who is using the material
- B 8. When an order is completed, all costs of producing the order are debited to
- A. Direct Materials inventory
 - B. Finished Goods inventory
 - C. Merchandise inventory
 - D. Work in Process inventory
- A 9. When a completed order is sold, all costs of producing the order are transferred to
- A. Cost of Goods Sold
 - B. Factory Overhead
 - C. Finished Goods
 - D. Work in Process
- D 10. The Cost of Goods Manufactured line in the income statements for a manufacturing business is similar to the line in the income statement for a merchandising business which lists
- A. Cost of Goods Sold
 - B. Gross Profit on Sales
 - C. Merchandise on Sales
 - D. Purchases

Section 2 Assignment B

5

The Sports Exchange is a departmentalized store with two departments – Athletic Clothing and Athletic Footwear. Complete the table on the response page.

For each item, choose the statement in which the item will be reported. Record the appropriate number in the first column. Next choose the section in which the item will be reported. Record the appropriate letter in the second column.

- | | |
|-----------------------------------|--------------------------------|
| (1) departmental margin statement | R Revenue |
| (2) income statement | S Net Sales |
| (3) neither of the above | C Cost of Goods Sold |
| | D Direct Departmental Expenses |
| | I Indirect Expenses |
| | N none of the above |

	Statement	Section
1. Supplies Expense – Athletic Clothing	<i>1</i>	<i>D</i>
2. Accounts Receivable	<i>3</i>	<i>N</i>
3. Salary Expense – Athletic Footwear	<i>1</i>	<i>D</i>
4. Sales Returns and Allowances – Athletic Clothing	<i>1</i>	<i>S</i>
5. Purchases – Athletic Footwear	<i>1</i>	<i>C</i>

Section 2 Assignment C

5

1. Prepare the departmental margin statement for the Service Department of George's Garage for the month ending August 31, 19xx. (Note: Do not leave any blank lines when preparing the statement, or you will run out of space.) Include the percentage of net sales for each amount in the third column.

Part of the worksheet is shown next. Only the data necessary for the preparation of the statement is given.

	ACCOUNT TITLE
1	<i>Income Summary – Service</i>
2	<i>Sales – Service</i>
3	<i>Sales Returns & Allowances – Service</i>
4	<i>Purchases – Service</i>
5	<i>Purchases Returns & Allowances – Service</i>
6	<i>Advertising Expense – Service</i>
7	<i>Bad Debts Expense – Service</i>
8	<i>Depr. Expense – Shop Equipment – Service</i>
9	<i>Insurance Expense – Service</i>
10	<i>Miscellaneous Expense – Service</i>
11	<i>Payroll Taxes Expense – Service</i>
12	<i>Supplies Expense – Service</i>
13	<i>Wages Expense – Service</i>
14	
15	<i>Departmental Margin – Service</i>
16	
17	

DEPARTMENTAL MARGIN STATEMENTS	
SERVICE DEPARTMENT	
DEBIT	CREDIT
1 833.00	2 460.00
	24 442.00
310.00	
8 901.00	
	120.00
517.00	
66.00	
232.00	
97.00	
327.00	
454.00	
481.00	
5 248.00	
18 466.00	27 022.00
8 556.00	
27 022.00	27 022.00

George's Garage
Departmental Margin Statement - Service
For Month Ended August 31, 19xx

													% of Net Sales*
Revenue													
Sales						24	4	4	2	00			101.28
Less: Sales Returns and Allowances						3	1	0	00				1.28
Net Sales											24	1	100.00
Cost of Goods Sold													
Merchandise Inventory, August 1, 19xx						1	8	3	3	00			7.60
Purchases	8	9	0	1	00								36.88
Less: Purchases Returns and Allowances	1	2	0	00									0.50
Net Purchases						8	7	8	1	00			36.39
Total Cost of Goods Available for Sale						10	6	1	4	00			43.98
Less: Merchandise Inventory, August 31, 19xx						2	4	6	0	00			10.19
Cost of Goods Sold											8	1	33.79
Gross Profit											15	9	66.21
Direct Departmental Expenses													
Advertising Expense						5	1	7	00				2.14
Bad Debts Expense						6	6	00					0.27
Depreciation Expense - Shop Equipment						2	3	2	00				0.96
Insurance Expense						9	7	00					0.40
Miscellaneous Expense						3	2	7	00				1.36
Payroll Taxes Expense						4	5	4	00				1.88
Supplies Expense						4	8	1	00				1.99
Wages Expense						5	2	4	8	00			21.75
Total Direct Departmental Expenses											7	4	30.76
Departmental Margin											8	5	35.45

* each item rounded to nearest 0.01%

5

2. Record the August 31, 19xx, closing entries for the Service Department of George's Garage on page 51 of the general journal provided.

GENERAL JOURNAL

PAGE 51

	DATE	ACCOUNT TITLE	POST. REF.	DEBITS				CREDITS				
1		<i>Closing Entries</i>										1
2	19xx Aug. 31	<i>Sales - Service</i>		24	4	4	2	00				2
3		<i>Purchases Returns and Allowances - Service</i>			1	2	0	00				3
4		<i>Income Summary - Service</i>							24	5	6	2
5	31	<i>Income Summary - Service</i>		16	6	3	3	00				5
6		<i>Sales Returns and Allowances - Service</i>							3	1	0	6
7		<i>Purchases - Service</i>							8	9	0	7
8		<i>Advertising Expense - Service</i>							5	1	7	8
9		<i>Bad Debts Expense - Service</i>								6	6	9
10		<i>Depreciation Expense - Shop Equipment - Service</i>							2	3	2	10
11		<i>Insurance Expense - Service</i>								9	7	11
12		<i>Miscellaneous Expense - Service</i>							3	2	7	12
13		<i>Payroll Taxes Expense - Service</i>							4	5	4	13
14		<i>Supplies Expense - Service</i>							4	8	1	14
15		<i>Wages Expense - Service</i>							5	2	4	15
16	31	<i>Income Summary - Service</i>		8	5	5	6	00				16
17		<i>Income Summary - General</i>							8	5	5	17
18												18
19												19

Section 2 Assignment D

5

Prepare an income statement for the month ended March 31, 19xx, for The Pajama Game. (Note: Do not leave any blank lines when preparing the statement, or you will run out of space.) Include the Percentage of Net Sales for each amount in the third column.

The business has two departments – Retail and Mail Order. The worksheet includes the following data:

Retail

Net Sales, \$30 500.00
Cost of Goods Sold, \$17 438.00
Direct Expenses, \$5 780.00

Mail Order

Net Sales, \$15 892.00
Cost of Goods Sold, \$8 350.00
Direct Expenses, \$3 921.00

Indirect Expenses

Advertising Expense, \$1 250.00
Depreciation Expense – Office Equipment, \$73.00
Insurance Expense, \$25.00
Miscellaneous Expense, \$158.00
Payroll Taxes Expense, \$315.00
Rent Expense, \$875.00
Salary Expense, \$3 500.00
Supplies Expense, \$47.00

Corporate Income Tax is estimated at 35%. (Calculate the tax to the nearest dollar.)

The Pajama Game
Income Statement
 For Month Ended March 31, 19xx

											% of Net Sales*
<i>Net Sales</i>											
<i>Retail Department</i>	30	5	0	0	00						65.74
<i>Mail Order Department</i>	15	8	9	2	00						34.26
<i>Total Net Sales</i>						46	3	9	2	00	100.00
<i>Cost of Goods Sold</i>											
<i>Retail Department</i>	17	4	3	8	00						37.59
<i>Mail Order Department</i>	8	3	5	0	00						18.00
<i>Total Cost of Goods Sold</i>						25	7	8	8	00	55.59
<i>Gross Profit</i>											
<i>Retail Department</i>	13	0	6	2	00						28.16
<i>Mail Order Department</i>	7	5	4	2	00						16.26
<i>Total Gross Profit</i>						20	6	0	4	00	44.41
<i>Direct Departmental Expenses</i>											
<i>Retail Department</i>	5	7	8	0	00						12.46
<i>Mail Order Department</i>	3	9	2	1	00						8.45
<i>Total Direct Departmental Expenses</i>						9	7	0	1	00	20.91
<i>Departmental Margin</i>											
<i>Retail Department</i>	7	2	8	2	00						15.70
<i>Mail Order Department</i>	3	6	2	1	00						7.81
<i>Total Departmental Margin</i>						10	9	0	3	00	23.50
<i>Indirect Expenses</i>											
<i>Advertising Expense</i>	1	2	5	0	00						2.69
<i>Depreciation Expense - Office Equipment</i>		7	3	00							0.16
<i>Insurance Expense</i>		2	5	00							0.05
<i>Miscellaneous Expense</i>	1	5	8	00							0.34
<i>Payroll Taxes Expense</i>	3	1	5	00							0.68
<i>Rent Expense</i>	8	7	5	00							1.89
<i>Salary Expense</i>	3	5	0	0	00						7.54
<i>Supplies Expense</i>		4	7	00							0.10
<i>Total Indirect Expenses</i>						6	2	4	3	00	13.46
<i>Net Income Before Corporate Income Tax</i>						4	6	6	0	00	10.04
<i>Less: Corporate Income Tax</i>						1	6	3	1	00	3.52
<i>Net Income After Corporate Income Tax</i>						3	0	2	9	00	6.53

* each item rounded to nearest 0.01%

Section 2 Assignment E

10

Complete the worksheet for The Downhill Connection for the month ended September 30, 19xx. The business specializes in downhill ski equipment and in clothing for the downhill skier.

The partially completed worksheet is given. Corporate Income Tax is estimated at 35%. (Calculate the tax to the nearest dollar.)

*The Downhill**Work**For Month Ended*

		1		2		3		4																
	ACCOUNT TITLE	ACCOUNT NUMBER	TRIAL BALANCE				ADJUSTMENTS																	
			DEBIT		CREDIT		DEBIT		CREDIT															
1	Cash	1101	6	0	6	5	00							1										
2	Accounts Receivable	1201	8	5	3	4	00							2										
3	Allowance for Doubtful Accounts	1201.1						5	2	0	00	(j)		4	3	00	3							
4	Merchandise Inventory - Equipment	1301	18	6	0	0	00			(a)	39	5	5	2	00	(b)	18	6	0	0	00	4		
5	Merchandise Inventory - Clothing	1401	11	2	3	8	00			(c)	34	4	3	7	00	(d)	11	2	3	8	00	5		
6	Prepaid Insurance	1501	1	7	7	5	00									(e)		1	2	5	00	6		
7	Supplies	1511		8	3	0	00									(f)		2	8	5	00	7		
8	Office Equipment	1601	10	0	5	4	00															8		
9	Accumulated Depreciation - Office Equipment	1601.1						1	6	8	9	00				(g)		1	4	0	00	9		
10	Store Equipment - Equipment	1611	15	6	2	0	00															10		
11	Accum. Deprec. - Store Equip. - Equipment	1611.1						3	1	2	4	00				(h)		2	6	0	00	11		
12	Store Equipment - Clothing	1621	4	1	3	0	00															12		
13	Accum. Deprec. - Store Equip. - Clothing	1621.1							8	2	6	00				(i)			6	9	00	13		
14	Accounts Payable	2001						12	5	8	5	00										14		
15	Bank Loan Payable	2011						25	0	0	0	00										15		
16	Employees Income Tax Payable	2101						1	8	5	0	00										16		
17	Canada Pension Plan Payable	2102						2	8	9	00											17		
18	Unemployment Insurance Payable	2103						4	7	6	00											18		
19	Corporate Income Tax Payable	2104														(k)		3	7	8	00	19		
20	Capital Stock - Common	3001						50	0	0	0	00										20		
21	Retained Earnings	3011						22	6	3	6	00										21		
22	Income Summary - Equipment	3901										(b)	18	6	0	0	00	(a)	39	5	5	2	00	22
23	Income Summary - Clothing	3911										(d)	11	2	3	8	00	(c)	34	4	3	7	00	23
24	Income Summary - General	3999																				24		
25	Sales - Equipment	4001						12	8	1	3	00										25		
26	Sales Returns and Allowances - Equipment	4001.1			2	5	00															26		
27	Sales - Clothing	4101						21	4	7	5	00										27		
28	Sales Returns and Allowances - Clothing	4101.1			9	0	00															28		
29	Purchases - Equipment	5001	30	0	4	0	00															29		
30	Purchases Returns and Allow. - Equipment	5001.1						4	8	3	00											30		
31	Purchases - Clothing	5101	33	5	0	9	00															31		
32	Purchases Returns and Allow. - Clothing	5101.1						7	8	9	00											32		
33	Advertising Expense - Equipment	6001		3	2	5	00															33		
34	Deprec. Exp. - Store Equip. - Equipment	6011										(h)	2	6	0	00						34		
35	Payroll Taxes Expense - Equipment	6021		1	1	7	00															35		

Connection

sheet

September 30, 19xx

	5	6	7	8	9	10	11	12		
	DEPARTMENTAL MARGIN STATEMENTS				INCOME STATEMENT		BALANCE SHEET			
	EQUIPMENT		CLOTHING		DEBIT	CREDIT	DEBIT	CREDIT		
	DEBIT	CREDIT	DEBIT	CREDIT						
1							6 0 6 5 00		1	
2							8 5 3 4 00		2	
3								5 6 3 00	3	
4							39 5 5 2 00		4	
5							34 4 3 7 00		5	
6							1 6 5 0 00		6	
7							5 4 5 00		7	
8							10 0 5 4 00		8	
9								1 8 2 9 00	9	
10							15 6 2 0 00		10	
11								3 3 8 4 00	11	
12							4 1 3 0 00		12	
13								8 9 5 00	13	
14								12 5 8 5 00	14	
15								25 0 0 0 00	15	
16								1 8 5 0 00	16	
17								2 8 9 00	17	
18								4 7 6 00	18	
19								3 7 8 00	19	
20								50 0 0 0 00	20	
21								22 6 3 6 00	21	
22	18 6 0 0 00	39 5 5 2 00							22	
23			11 2 3 8 00	34 4 3 7 00					23	
24									24	
25		12 8 1 3 00							25	
26	2 5 00								26	
27				21 4 7 5 00					27	
28			9 0 00						28	
29	30 0 4 0 00								29	
30		4 8 3 00							30	
31			33 5 0 9 00						31	
32				7 8 9 00					32	
33	3 2 5 00								33	
34	2 6 0 00								34	
35	1 1 7 00								35	

*The Downhill**Worksheet**For Month Ended*

		1		2		3		4												
	ACCOUNT TITLE	ACCOUNT NUMBER	TRIAL BALANCE						ADJUSTMENTS											
			DEBIT			CREDIT			DEBIT			CREDIT								
36	<i>Salary Expense - Equipment</i>	6031	3	6	0	0	00									36				
37	<i>Supplies Expense - Equipment</i>	6041								(f)	9	5	00			37				
38	<i>Advertising Expense - Clothing</i>	6101	3	2	5	00										38				
39	<i>Depreciation Exp. - Store Equip. - Clothing</i>	6111								(i)	6	9	00			39				
40	<i>Payroll Taxes Expense - Clothing</i>	6121		8	2	00										40				
41	<i>Salary Expense - Clothing</i>	6131	2	3	0	0	00									41				
42	<i>Supplies Expense - Clothing</i>	6141								(f)	9	5	00			42				
43	<i>Bad Debts Expense</i>	6501								(j)	4	3	00			43				
44	<i>Depreciaton Expense - Office Equipment</i>	6511								(g)	1	4	0	00		44				
45	<i>Insurance Expense</i>	6521								(e)	1	2	5	00		45				
46	<i>Interest Expense</i>	6531	2	8	1	00										46				
47	<i>Miscellaneous Expense</i>	6541	1	9	3	00										47				
48	<i>Payroll Taxes Expense - Administrative</i>	6551	3	1	2	00										48				
49	<i>Rent Expense</i>	6561	1	2	7	5	00									49				
50	<i>Salary Expense - Administrative</i>	6571	5	0	0	0	00									50				
51	<i>Supplies Expense - Administrative</i>	6581								(f)	9	5	00			51				
52	<i>Utilities Expense</i>	6591	2	3	5	00										52				
53			154	5	5	5	00	154	5	5	5	00				53				
54	<i>Departmental Margin - Equipment</i>															54				
55	<i>Departmental Margin - Clothing</i>															55				
56																56				
57	<i>Corporate Income Tax</i>	9101								(k)	3	7	8	00		57				
58										105	1	2	7	00	105	1	2	7	00	58
59	<i>Net Income After Corporate Income Tax</i>															59				
60																60				
61																61				
62																62				
63																63				
64																64				
65																65				
66																66				
67																67				
68																68				
69																69				
70																70				

Connection

(continued)

September 30, 19xx

	5		6		7		8		9		10		11		12															
	DEPARTMENTAL MARGIN STATEMENTS								INCOME STATEMENT				BALANCE SHEET																	
	EQUIPMENT				CLOTHING				DEBIT		CREDIT		DEBIT		CREDIT															
	DEBIT		CREDIT		DEBIT		CREDIT																							
36	3	6	0	0	00												36													
37		9	5	00													37													
38						3	2	5	00								38													
39							6	9	00								39													
40							8	2	00								40													
41						2	3	0	0	00							41													
42							9	5	00								42													
43										4	3	00					43													
44										1	4	0	00				44													
45										1	2	5	00				45													
46										2	8	1	00				46													
47										1	9	3	00				47													
48										3	1	2	00				48													
49										1	2	7	5	00			49													
50										5	0	0	0	00			50													
51										9	5	00					51													
52										2	3	5	00				52													
53	53	0	6	2	00	52	8	4	8	00	47	7	0	8	00	56	7	0	1	00	53									
54						2	1	4	00				2	1	4	00					54									
55							8	9	9	3	00			8	9	9	3	00				55								
56	53	0	6	2	00	53	0	6	2	00	56	7	0	1	00	56	7	0	1	00	56									
57											3	7	8	00								57								
58										8	2	9	1	00	8	9	9	3	00	120	5	8	7	00	119	8	8	5	00	58
59										7	0	2	00												7	0	2	00	59	
60										8	9	9	3	00	8	9	9	3	00	120	5	8	7	00	120	5	8	7	00	60
61																													61	
62																													62	
63																													63	
64																													64	
65																													65	
66																													66	
67																													67	
68																													68	
69																													69	
70																													70	

5

Section 2 Assignment F

On July 31, 19xx, the records of The Boot Factory show the following information:

- The total of all requisitions of direct materials issued during July is \$21 814.12.
- The total direct labour costs during July are \$23 805.74.
- The expense account balances in the general ledger for July are listed.

Account Title	Balance
Depreciation Expense – Factory Building	\$ 275.10
Depreciation Expense – Factory Equipment	555.05
Factory Supplies Expense	1 985.83
Indirect Labour Expense	8 817.15
Insurance Expense – Factory	410.50
Payroll Taxes Expense – Factory	617.20
Property Tax Expense – Factory	485.57
Utilities Expense – Factory	673.45

- Factory Overhead is applied at the rate of 55% of Direct Labour costs.
- Cost sheets completed during the month total \$65 912.79.

Instruction: Prepare the following journal entries on page 47 of a general journal.

- Transfer the total of all direct materials requisitions from Direct Materials to Work in Process. Memo No. 197.
- Transfer the total Direct Labour costs to Work in Process. Memo No. 198.
- Close the balances in each of the expense accounts to Factory Overhead. Memo No. 199.
- Transfer the applied Factory Overhead to Work in Process. Memo No. 200.
- Transfer the balance of the Factory Overhead account to Income Summary. Memo No. 201.
- Transfer the total of all jobs completed from Work in Process to Finished Goods. Memo No. 202.

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	DATE	ACCOUNT TITLE	POST. REF.	DEBITS	CREDITS	
1	July 31 ^{19xx}	Work in Process		21 8 1 4 12		1
2		Direct Materials			21 8 1 4 12	2
3		Memo No. 197				3
4	31	Work in Process		23 8 0 5 74		4
5		Direct Labour			23 8 0 5 74	5
6		Memo No. 198				6
7	31	Factory Overhead		13 8 1 9 85		7
8		Depreciation Expense - Factory Building			2 7 5 10	8
9		Depreciation Expense - Factory Equipment			5 5 5 05	9
10		Factory Supplies Expense			1 9 8 5 83	10
11		Indirect Labour Expense			8 8 1 7 15	11
12		Insurance Expense - Factory			4 1 0 50	12
13		Payroll Taxes Expense - Factory			6 1 7 20	13
14		Property Tax Expense - Factory			4 8 5 57	14
15		Utilities Expense - Factory			6 7 3 45	15
16		Memo No. 199				16
17	31	Work in Process		13 0 9 3 16		17
18		Factory Overhead			13 0 9 3 16	18
19		Memo No. 200				19
20	31	Income Summary		7 2 6 69		20
21		Factory Overhead			7 2 6 69	21
22		Memo No. 201				22
23	31	Finished Goods		65 9 1 2 79		23
24		Work in Process			65 9 1 2 79	24
25		Memo No. 202				25
26						26
27						27

Section 2 Assignment G

5

1. Prepare the statement of cost of goods manufactured for The Boot Factory Ltd. for the month ended July 31, 19xx.

The account records show the following figures:

• Direct Materials inventory, July 1, 19xx	\$ 6 783.59
• Direct Materials inventory, July 31, 19xx	4 705.38
• Work in Process inventory, July 1, 19xx	14 834.60
• Work in Process inventory, July 31, 19xx	7 634.83
• Purchases during the month of July	19 735.91
• Direct Labour costs for July 19xx	23 805.74
• Factory Overhead applied at 55% of direct labour	

The Boot Factory Ltd.
Statement of Cost of Goods Manufactured
For Month Ended July 31, 19xx

[illegible]

5

2. Complete the partial income statement for The Boot Factory Ltd. for the month ended August 31, 19xx.

The accounting records show the following figures:

• Sales for the month	\$135 993.50
• Sales Discount for the month	134.69
• Finished Goods inventory, August 1, 19xx	73 486.70
• Finished Goods inventory, August 31, 19xx	65 802.50
• Direct Labour for the month	24 466.35
• Actual Factory Overhead	14 639.10
• Factory Overhead applied at 55% of Direct Labour	
• Cost of Goods Manufactured	65 107.38

The Boot Factory Ltd.

Income Statement

For Month Ended August 31, 19xx

[illegible]

Section 2: Total Marks 50

Page 101

Change the values for the following entries:

Plus: Net Income After Taxes (19xx)	32 482.50
Net Increase in 19xx	27 482.50
Balance, December 31, 19xx	54 982.50
Total Shareholders' Equity	114 982.50

Page 102

Change the values for the following entries:

Less: Allowance for Doubtful Accounts	2 135.00	28 365.00	
Total Current Assets			166 985.00
Less: Accumulated Depreciation – Office Equipment	6 280.00	12 520.00	
Less: Accumulated Depreciation – Store Equipment	8 880.00	17 720.00	
Less: Accumulated Depreciation – Delivery Equipment	8 600.00	17 200.00	
Total Fixed Assets			47 440.00
Organization Costs			2 755.00
Total Assets			237 180.00
Corporate Income Tax Payable	677.50		
Total Current Liabilities		22 197.50	
Total Liabilities			122 197.50

Page 103

Change the values for the following entries:

Retained Earnings	54 982.50	
Total Shareholders' Equity		114 982.50
Total Liabilities and Shareholders' Equity		237 180.00

Module 4**Page 11, 15, and 19**

The value given on Line 29 of the Used Bikes Debit column, 15 650.00, should be moved to Line 30 of the same column.

Page 20

Insert a tax calculation box with the following information at the bottom of the worksheet.

Tax Calculation	
Income Statement Credit	12 400.00
Income Statement Debit	<u>3 781.00</u>
Taxable Income	8 619.00
Tax Rate: 35%	
Tax Payable	3 016.65
Rounded to Nearest Dollar	\$3 017.00

Page 24

The paragraph on this page should read as follows:

Complete the income statement for Petrina's Pet Emporium for the month ended September 30, 19xx. The net income shown on the worksheet income statement and balance sheet columns is \$8 336.00.

Page 25

The Adjusting Entry for Corporate Income Tax should be as follows:

	DR	CR
Corporate Income Tax	292.00	
Corporate Income Tax Payable		292.00

Page 49

Move the word **Flowers** from Line 12 up to the end of Line 11. Move the remaining lines up one line. Place **35%** next to the Corporate Income Tax account title.

Page 64

On the second Oct. 7 entry, add the following note:

Note: As units are sold, cost them at the original price. You will have two prices and should consume all the old stock first.

Page 65

Make the following changes to the materials ledger card. The changes involve values on October 7, 10, and 17, and involve changes to both the Issued and Balance sections of the ledger. The changes are shaded in grey.

					7	38 300	21.35 22.42	811.30 6 726.00
10	524	30	21.35	640.50	10	8 300	21.35 22.42	170.80 6 726.00
17	561	8 32	21.35 22.42	170.80 717.44	17	268	22.42	6 008.56

Also add the following paragraph to the bottom of the page.

Note: On October 7, both the number of units at the old price and the number of units at the new price must be shown. On October 10, all 30 units are costed at the old price. On October 17, the first 8 units are costed at the old price and the remaining 32 units are costed at the new price.

Page 88

In the fourth paragraph of Enrichment Activity C, the last sentence should read as follows:

Assume that an analysis of overhead estimates that factory overhead should be applied at the rate of **50%** of direct labour.

Page 88

Make the following changes to the March column in the chart for Enrichment Activity C.

Direct Labour	44.53 (not 40.48)
Applied Factory Overhead	24.50 (not 24.29)
Unit Cost	113.03 (not 108.77)
Profit Margin	24.87 (not 21.75)
Selling Price	137.90 (not 130.52)

Module 5

Page 5

Question 3 should read as follows:

- Using your answer from Question 2 (**Total Bad Debts**), identify the accounting entry required to adjust the Accounts Receivable asset account.

Page 22

Make the following change to question 1.

- Using the direct write-off method, record the journal entries **on page 10** of the general journal for the following transactions:

Note that the General Journal should show page 10, rather than page 1.

Make the following change to question 2.

- Using the allowance method, record the journal entries **on page 11** of the general journal for the following transactions:

Note that the General Journal should show page 11, rather than page 1.

Page 27

Make the following changes to question 7.a.

Insert the words **Class 16** after \$28 000.00.

Step 2 for 1988 should read as follows:

$$\begin{aligned}\text{Step 2: Capital Cost Allowance} &= \$14\,000.00 \times 40\% \text{ (Class 16)} \\ &= \$5\,600.00\end{aligned}$$

Page 28

Make the following changes to question 7.b.

Step 1 for 1989 should read as follows:

Step 1: Undepreciated capital cost, Jan. 1	\$22 400.00
Add cost of additions for the year	<u>27 000.00</u>
Total undepreciated capital cost for the year	49 400.00
Less cost of additions divided by 2	<u>13 500.00</u>
Base Amount	\$35 900.00



This booklet cannot be purchased separately; the Learning Facilitator's Manual for Accounting 30 is available only as a complete set.



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